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World Business Newspaper

FRIDAY JUNE 7 1996

Thirteen killed as military helicopter crashes in Germany

Thirteen people were killed when a German military helicopter giving rides at a youth festival crashed yesterday in woodland south of Dortmund. Six of those killed were youngsters from the festival who had won the helicopter ride in a lottery. Dortmund police said. One passenger, who leapt from the helicopter on to a motorway just before it plunged to the ground, was in hospital last night with serious injuries.

China in ebullience on nuclear tests: China said it would accept a ban on all nuclear explosions, in a climbdown that removes an important obstacle to concluding a comprehensive test ban treaty by the end of this month. Mr Shen Zukang (left), China's ambassador to the 38-member United Nations disarmament conference negotiating the treaty, said his country was ready to go along with a "temporary ban" on so-called peaceful nuclear explosions - those for scientific rather than military purposes - in the interests of completing the treaty on time. Page 14

Clinton aide to head Ulster talks: The British government yielded to Irish pressure and agreed yesterday that former US senator George Mitchell, a close aide to President Bill Clinton, should chair next week's all-party talks on a new settlement for Northern Ireland. Page 14; Ireland's two faces, Page 12

UK and France cut loan rates: The UK and France made surprise interest rate cuts. The Bank of France lowered its intervention rate by 0.1 per cent to 3.60 per cent while the UK cut its rate by 0.25 per cent to 5.75 per cent. French rates trimmed, Page 2; UK rates down, Page 8; Editorial Comment, Page 13; Lex, Page 14

New York awards \$1bn airport contract: A contract to design, build and operate a \$1.1bn international arrivals terminal at John F Kennedy airport in New York has been awarded to a consortium of US, British and Dutch companies. Page 4

Eight killed in air crash: Eight crew members were killed after a Russian-built cargo aircraft crashed as it tried to take off at Zaire's international airport, outside the capital Kinshasa.

Amer shares plunges: Shares in Amer, the Finnish parent of US sports equipment group Wilson, fell 11 per cent after the world's second largest sporting goods maker reported heavy losses in the first four months of the year and warned it would remain in the red in 1996. Page 15

Approval for Japan housing loan bail-out: A Japanese parliamentary committee finally approved a government plan to spend ¥655bn (\$6.33bn) of public money towards the liquidation of the country's bankrupt housing loan companies. Little of the money is likely to be disbursed. Page 6

Boost for third world telecoms: WorldTel, the company set up to help boost telecoms in developing countries, has won initial backing from a group of investors and is seeking billion-dollar projects in Asia, Latin America and Africa. Page 14

AT&T agreed to sell its leasing and finance business: AT&T Capital, in a \$2.2bn buy-out being financed from London. The deal will give control of the US's second biggest equipment leasing group to GRS Holdings, a British-based company financed by the London arm of Japanese securities house Nomura International. Page 15

US financial short-termism backed: The US pursuit of short-term financial performance makes US companies use capital far more productively than their German and Japanese rivals, a study shows. Page 7

Klaus asked to form new government: Vaclav Klaus, whose centre-right coalition lost its majority in last weekend's Czech general election, has been asked by president Václav Havel to try to form a new government. Page 2

Mystery over Cambodia's Pol Pot: Pol Pot, leader of the Khmer Rouge which ruled Cambodia from 1975 to 1979 and still terrorises the country, is fatally ill or dead, some Cambodian rebel officials said. Page 5

India out for 214: India were bowled out for 214 on the opening day of the first cricket Test against England at Edgbaston, Birmingham. At close of play, the home side had scored 60 without loss in reply.

STOCK MARKET INDICES		GOLD	
New York Composite	5,996.27	New York Center	388.59
Dow Jones Ind Av	5,996.27	(Aug)	388.54
NASDAQ Composite	1,242.84	(6-31)	
Russias and Far East		London	338.05
DAX	2,123.22	(6-7)	337.81
FTSE 100	3,780.3	(46.9)	
Nikkei	21,804.46	(78.97)	
US LUNCHTIME RATES		DOLLAR	
Federal Funds	5 1/4%	New York Lunched	1.5425
3-month Treas Bill	5.187%	DM	1.5300
Long Bond	6.889%	FR	1.5100
Yield	6.889%	SP	1.25
		Y	108.95
OTHER RATES		LONDON	
DM 3-month Interbank	5 1/4%	DM	1.5400
DM 10 yr GR	5 1/4%	DM	1.5301
France 10 yr OAT	105.54	FR	1.5170
Germany 10 yr Bund	105.19	SP	1.2573
Japan 10 yr JGB	98.8238	Y	108.29
NORTH SEA OIL (pence)		STERLING	
Brent Crude	118.15	DM	2.3578
Talga Crude	118.29	Y	108.25

London Metal Exchange board steps in ■ Rumours of funds forcing down price

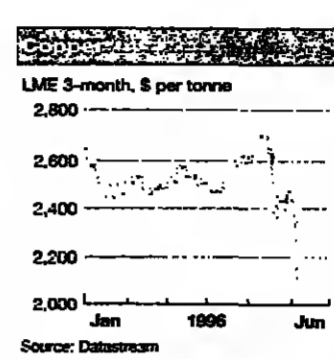
Copper falls 15% in hectic two hours of trade session

By Kenneth Gooding in London

Pandemonium broke out in the copper market yesterday as the price of the world's most heavily traded metal plummeted by 15 per cent in just two hours of hectic activity on the London Metal Exchange. Traders said the scale and speed of the drop was unprecedented. Dealers increased the "spread" or difference between the prices at which they were willing to buy or sell copper to \$50 a tonne - a level previously unheard of - in an attempt to reduce the frantic activity. The LME board also took action to calm the market by doubling to \$400 a tonne the initial cash that would have to be provided by anyone buying or selling copper. This helped the price to recover in late trading but there were rumours that the speed and size of the price fall had done serious financial damage to some market participants. "Copper has lost 25 per cent of its value and has come down \$300 a tonne in just six trading days," one analyst pointed out. "There are bound to be casualties in a market like that."

At one point early yesterday, copper for delivery in three months on the LME dropped to \$1,910 a tonne, down \$337 from Wednesday's closing price. As the hectic selling died down, the price recovered to close last night at \$2,105 a tonne, \$142 below Wednesday's close and \$610 or 22.5 per cent below the 1996 peak reached early in May of \$2,715. Shares in leading copper producers were relatively unscathed. RTZ-CRA, the world's biggest mining group, was down only 2.4 per cent, by 22 1/2 to 987 1/2. Among the big US producers, Asarco shares by mid-day were down 1 1/4 to \$29 while Phelps Dodge was only \$4 off at \$65. Both the US companies have hedged extensively against lower copper prices. Ironically, it was this protective hedging by North American producers that contributed to the speed of copper's price fall. Traders suggested that the rout

was started on Wednesday by two US hedge funds that sensed the time was ripe to force copper down. They believed the funds were Mr George Soros's Quantum Fund and Mr Julian Robertson's Tiger Fund. Both funds have a policy of not responding to market rumours about their operations. The funds' objective was to drive copper down to below \$2,424 a tonne at which point the investment banks and market-makers that had granted "put" options to the copper producers - or promised to buy copper from the producers at a certain price - would have to start selling. Analysts were not convinced last night the turmoil was over.



Source: Datastream

Trade network planned by world chip producers

By Guy de Jonquieres in London and William Dawkins in Tokyo

Japanese and European chipmakers have agreed to work together to organise global trade in semiconductors. The Japanese semiconductor industry association called for the launch of a world microchip council to boost co-operation in the industry, and leading Japanese chipmakers discussed the idea in London this week. The meeting, presented as a private sector initiative, was in fact organised in close consultation with the European Commission and Japan's Ministry of International Trade and Industry.

The meeting, attended by representatives of NEC and Toshiba of Japan, Siemens of Germany, Philips of the Netherlands and the Franco-Italian SGS-Thomson, agreed that the European industry should ask the US Semiconductor Industry Association to join the talks. Companies from South Korea and Taiwan, the two other main chipmaking countries, would be approached later.

European Union officials denied that closer industry co-operation risked creating a global cartel which would act against the interests of chip consumers, the world's manufacturers of electronic equipment and products. The proposal was seen by some industry analysts as a means of deflecting US pressure on Tokyo to renew a five-year US-Japan semiconductor accord which expires next month.

The Japanese government and chip industry dislike the decade-old agreement because it contains numerical targets for Japanese chip imports. They may also want to bring the ever stronger Taiwanese and Korean chipmakers within the scope of organised trade. European semiconductor makers hope a broader semiconductor trade agreement would provide them with greater access to the Japanese market. Sir Leon Brittan, the EU trade

Continued on Page 14
NEC to cut output, Page 15

Turkey's Islamic party bids for power

By John Barham in Ankara

Turkey's Refah Islamist party will again try to form its first government after the collapse yesterday of an uneasy three-month coalition between the two mainstream parties. Mr Mesut Yilmaz, prime minister, resigned hours before parliament was due to begin a no-confidence debate which he would almost certainly have lost after Mrs Tansu Ciller, his rival and coalition partner, said her True Path party would vote with the opposition.

The Istanbul stock exchange closed down 2.5 per cent and, although the Turkish lira was stable against the dollar, political uncertainty drove up yields on treasury bills. President Süleyman Demirel is to begin consultations today with leaders of the six parties in parliament in an attempt to forming a new government. Mr Necmettin Erbakan, Refah's leader, who led a campaign to topple the government, was jubilant.

"The problem is solved," he said. "The mandate [to form a government] should be given to us in half an hour and [we] will form a majority government as soon as possible."

However, commentators expect he will again fail to find a majority in parliament. Refah was the leading party after inconclusive elections in December but could not form a coalition. The politically powerful military forced the True Path and Mr Yilmaz's Motherland party into their short-lived alliance to keep Refah from power. Analysts expect a protracted period of political horse-trading but fear negotiations will fall, leading Turkey to hold fresh elections. Opinion polls indicate Refah would win the elections, taking about a third of the vote.

Refah began working almost immediately after the last election to bring down the coalition by exploiting the rivalry between the two conservative leaders. Although the True Path and Motherland share pro-business, pro-western and secular values, they are irreconcilably divided as their two leaders battle for control of the centre-right. Mr Yilmaz said he quit because the constitutional court had just published the full text of a ruling it handed down last month, in which it stated that a March parliamentary vote of confidence confirming his government in office was invalid. "The court's explanation showed the government did not obtain a vote of confidence," he said. "I [went] to the president and presented the government's

Continued on Page 14
Back to square one, Page 2



German chancellor Helmut Kohl (left) and French president Jacques Chirac (right) in expansive mood after three hours of 'friendly' informal talks in Paris following a formal summit in Dijon, eastern France, on Wednesday. The two leaders discussed former Yugoslavia, European Union reform and Turkey. Chancellor Kohl said it was vital to have talks away from formal meetings because of the importance of Franco-German relations. Picture Reuters

Hilton's \$2bn deal wins battle for Bally gaming group

By Tony Jackson in New York and Christopher Price in London

Hilton Hotels of the US is to pay \$2bn in stock for Bally Entertainment, forming what is claimed to be the world's biggest casino operator. Hilton will also take on Bally's debt of \$1bn. The deal ends a long-running tussle for ownership of Bally between Hilton and the rival hotel and gaming group FIT. Previous talks with both suitors had reportedly broken down over Bally's insistence on a higher price.

Hilton will have a four-for-one stock split, then pay one new share for each of Bally's. Hilton's shares were up \$4 at \$118 1/2 by lunchtime yesterday, valuing Bally shares at \$29 1/2. Hilton said that if the value of the offer was below \$27 by closing it would make up the difference in cash, subject to a limit of \$3 a share. Mr Arthur Goldberg, Bally's chairman, will join the board of the merged company. Bally shares rose 8 1/2% to \$27 1/2 in early trading. Ladbroke, the UK leisure group which owns the Hilton brand outside the US, said last night the deal would have no effect on its discussions with Hilton on reuniting the brand worldwide. These are thought to involve the possible sale of Ladbroke's interests. Talks were continuing, Ladbroke said. News of the tie-up was said to have been behind the 3p fall to 186p in Ladbroke shares on the London market.

The combined business of Hilton and Bally will have gaming revenues of \$537m, which the companies said would be almost 25 per cent bigger than its nearest rival. It will have a total of 15 casinos, with 800,000 sq ft of gaming space. Both own casinos in Las Vegas and Atlantic City, with Hilton stronger in the former and Bally in the latter. The deal marks a consolidation of the US gaming industry. Several US states have recently ruled against relaxation of rules against gaming, thus narrowing the prospects for new entrants. Mr Stephen Bollenbach, Hilton's chief executive, said: "It has been our stated goal to be the winner in the [industry's] consolidation, and this transaction is the key step." Bally Entertainment - which is unconnected with Bally Gaming, the fruit machine manufacturer - has two casinos in Atlantic City. It also owns Bally's in Las Vegas, as well as a dockside casino near Memphis and a riverboat casino in New Orleans. Hilton owns or operates 10 casinos around the world, including the Flamingo in Las Vegas and the Las Vegas Hilton, both close to Bally's on Las Vegas Boulevard. It also has casinos in Canada, Australia and Turkey. Mr Bollenbach said the deal would probably add to Hilton's earnings in the current year and would not affect the investment grade status of Hilton's debt.

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Spain set for big opening of economy

By David White in Barcelona

Spain's centre-right government is set to approve today what Mr Rodrigo Rato, economy and finance minister, has described as an urgent package of initiatives aimed at deregulation and the encouragement of small businesses, job creation and long-term savings.

The plan, foreshadowed before the March general election, has become all the more important because of a slow-down in year-on-year economic growth to 2 per cent in the first quarter, after a 3 per cent rate for the whole of 1995.

It follows the announcement of a Ptas200bn (£1.54bn) cut in this year's public spending budget. The government, hoping this will be adequate to keep the budget deficit on track for the European single currency, is counting on higher growth in the remainder of the year to bring in sufficient tax revenues.

Mr Rato told senior international business executives in Barcelona on Wednesday night the package would include "a wide range of liberalisation measures" to increase competition in energy, housing, transport and telecommunications.

These plans include easing regulations on building-land and scrapping price ceilings for diesel fuel, a move the industry expects will lead later to the complete freeing of petrol prices.

The government also planned in the near future to present a broad programme of privatisations and aimed to open up competition in monopoly sectors. Deregulation, rather than monetary policy, would be the government's main instrument for bringing down inflation from 3.5 per cent to a target of 2.5-2.8 per cent next year, Mr Rato told the Fortune Global Forum meeting.

Today's package is expected to include incentives for employers to hire over-45s and

under-25s on a permanent basis. Figures yesterday showed a fall of more than 67,500 in May to 2.67m, or 14.36 per cent of the active population, down from 14.35 per cent in April, with a record number of 739,000 job placements.

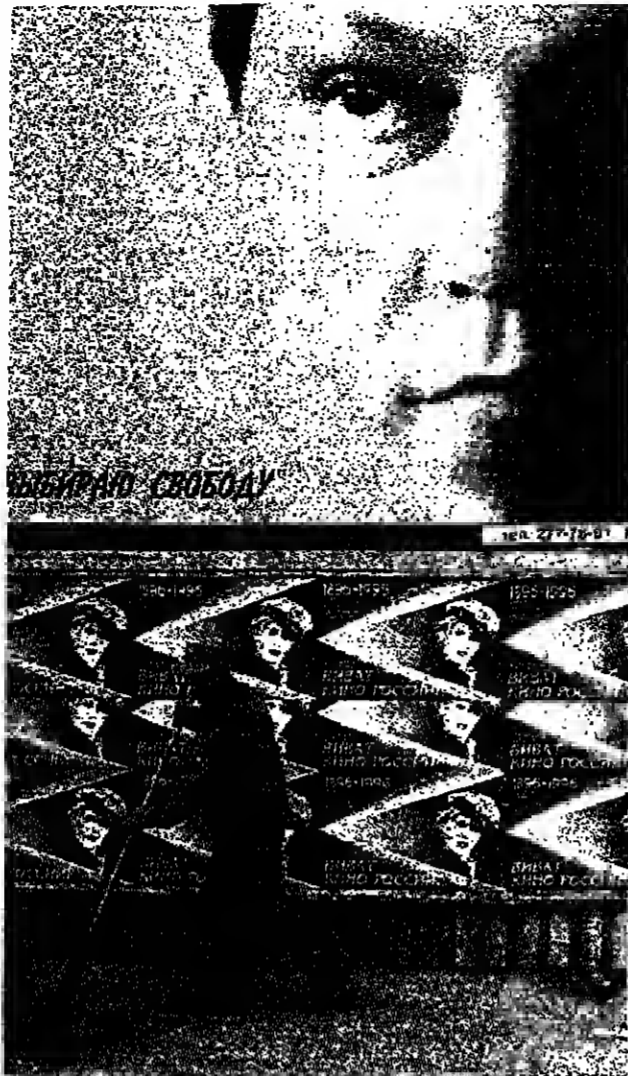
Measures for small companies include allowing them to revalue fixed assets in their balance sheets to take account of inflation. This step, which follows strong pressure from industry, will enable them to reduce their tax burden by declaring higher depreciation charges. The last time they were permitted to update their valuations was in 1983, under the Socialists.

Mr Rato indicated there would be revised tax treatment for capital gains and moves to extend companies' protection from double taxation. The measures, he said, were designed "to give Spanish companies the best chance to compete in global markets".

He also said the government had invited proposals from construction companies for the co-financing of private-sector projects to "fill the gap" left by the state's reduced public works budget - the main victim of the latest expenditure cuts.

Details of the economic package were discussed this week between the ruling Popular party and the Catalan nationalist, its main parliamentary allies. Mr Jordi Pujol, the Catalan leader, said he intended to give the government, in office for just over a month, more time to prove itself and would review progress near the end of September, when the 1997 budget goes to parliament.

He warned that the new regional financing deal negotiated between the two parties was "crucial" for continued Catalan backing. The government needed to show it had "the capacity and the will to fulfil its part of the bargain", he said.



A poster in St Petersburg of candidate Grigory Yavlinsky

Yavlinsky urges vote against 'stupidity'

By John Thornhill in Moscow

Mr Grigory Yavlinsky, the radical economist, yesterday tried to inject some life into his lacklustre presidential campaign by urging Russian voters to reject their Communist past and authoritarian present and opt for a democratic future.

The 44-year-old leader of the liberal Yabloko faction, who has been trading heavily in the polls, said Russians should choose the third force in Russian politics and support the non-Communist democratic opposition to President Boris Yeltsin.

"Every vote cast for the democratic opposition will be a vote for the termination of war, a vote for freedom in Russia, a vote for the limitation of stupidity in Russia, a vote for the reduction of (nationalist leader) Zhirinovskiy's influence, and a vote for the people to have an influence on the authorities," he said.

Despite holding recent talks with Mr Yeltsin, Mr Yavlinsky launched a ferocious attack on the president, accusing him of leading a "bloody autocratic regime".

He described Mr Yeltsin's recent peace initiative in Che-

chnya as a cynical "flop" which had disturbing Orwellian overtones. By describing war as peace often enough Mr Yeltsin was simply hoping to persuade people there was no fighting in the ravaged southern region, he said.

'If Boris Yeltsin wins, the oligarchic, monopolistic, criminal and corrupt regime will grow stronger'

"If Boris Yeltsin wins the elections, the oligarchic, monopolistic, criminal and corrupt regime will grow stronger in Russia. This is very dangerous. This will be the legitimisation of authoritarian power and an authoritarian regime in Russia," he said.

Mr Yavlinsky was also highly critical of Mr Gennady Zyuganov, the Communist party candidate, and flatly rejected suggestions the two might form an alliance.

Despite pressure from many of the younger generation of Russian democratic leaders to stand down in favour of Mr Yeltsin, Mr Yavlinsky vowed to fight the elections to the end and said he had a good chance of making it through the first round on June 16 if the turnout was high enough.

Mr Yavlinsky also dismissed the possibility he might back out in favour of another candidate from the so-called "third force" in Russian politics such as Mr Alexander Lebed, the former army commander, or Mr Svyatoslav Fyodorov, the populist eye surgeon.

Mr Yavlinsky's campaign has seemingly been handicapped by poor organisation in the regions and his election manifesto has still not been published in the press.

Unlike Mr Yeltsin and Mr Zyuganov, who have been campaigning nationwide almost constantly over the past month, Mr Yavlinsky has also been all but invisible in the media. He complained that TV channels devoted 80 per cent of their coverage to the president and 10 per cent to Mr Zyuganov, while ignoring other candidates. "I think the brew fed to our citizens is disgraceful," he said.

Clip card steps up rivalry in electronic 'purses'

By Motoko Rich in Seville

Competition in the new market for "electronic purses" intensified yesterday with the launch by Europay International, the payment card organisation, of its Clip card.

Other organisations, such as Mondex in the UK, Geldkarte of Germany and Proton of Belgium, are already holding trials of cards "loaded" from bank accounts and spent instead of cash in shops and other retail outlets.

Clip cards are designed for small transactions, averaging about Ecu25 (\$30), and will be loaded from automatic tellers and personal computers.

Europay, owned by 7,000 member banks, claimed its card would have the advantage because transactions could be traced - each purchase is recorded at the point of sale, and banks can obtain records. Rival cards work like cash, with no record of individual transactions.

Some observers think audit trails could make the cards too expensive to administer. But Mr Louis-Noel Joly, who takes over as chief executive of Europay today, said: "The audit will be only the exception. So the records can be kept cheaply on low-level memory in computer archives."

Mondex yesterday welcomed the launch. Its trial in Swindon in the UK has attracted 10,000 customers; it plans to roll out the card throughout the UK in late 1997. Mondex is being tested in San Francisco and will be "piloted" in Hong Kong and Canada later this year.

Mondex suppliers are developing machines to accept all types of "electronic purse". Observers believe it will be some time before consumers and retailers welcome electronic cash. "Notes and coins are fast and efficient for low-value transactions," said Mr Peter Hirsch, managing director of Retail Banking Research, the payment systems consultancy.

Kohl and Chirac plan to push EU

By David Buchan in Paris

France and Germany want the forthcoming European Union summit in Florence to fix ambitious goals for European foreign and security policy co-ordination to give the EU's sluggish intergovernmental conference (IGC) fresh impetus.

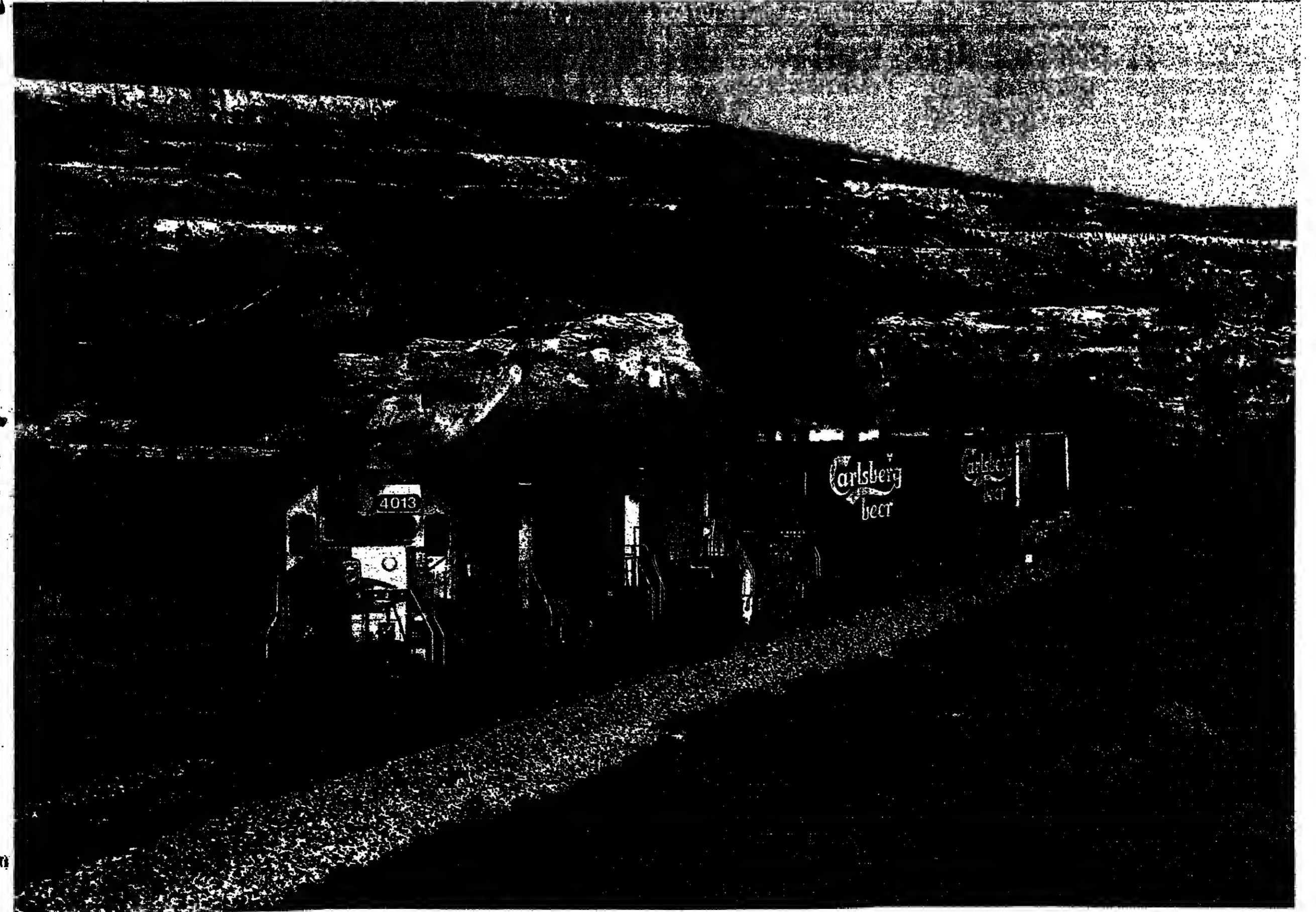
This emerged out of talks which President Jacques Chirac and the German Chancellor, Mr Helmut Kohl, started at Wednesday's regular Franco-German summit in Dijon and carried on less formally for three hours yesterday at the Elysée Palace in Paris. The two countries do not appear ready to propose anything substantially new, but rather to give a push to the earlier proposals to show it had "the capacity and the will to fulfil its part of the bargain", he said.

Paris and Bonn are keen to keep up the momentum towards new European security arrangements engendered by France's rapprochement with Nato, which in turn appears to have triggered an acceleration in its bilateral military

relationship with Germany, a long-time Nato stalwart. At Dijon, France and Germany pledged to give "a new push" to their defence co-operation "in a European perspective", with a document on military strategy, missions and equipment which they plan to adopt by the end of this year. Their joint defence study will review their 27 bilateral arms programmes, with the aim of also extending joint procurement.

Apart from also discussing Bosnia and the situation in Turkey following the resignation of its prime minister yesterday, Mr Chirac and Mr Kohl tackled preparations for the G7 summit in Lyons at the end of this month.

As the G7 host, Mr Chirac wants to see aid and debt relief to developing countries discussed at Lyons, but has so far failed to persuade the Germans to support the idea of the International Monetary Fund selling off more of its gold to help poor countries. In the wake of Wednesday's substantial street demonstrations by workers at Electricité de France protesting against pressure, chiefly by the European Commission and Germany, for liberalisation of the European electricity market, French officials yesterday refused for now to give any details of the compromise the government is reported to have reached with Bonn on partial opening of the electricity market.



Probably the best beer in the world.

In search of fair skies over the Atlantic New York

Talks between BA and American have intensified debate on US-UK access, writes Michael Skapinker

As airlines prepare for the northern hemisphere summer season, one topic dominates conversation. When will British Airways and American Airlines conclude their negotiations and launch the most powerful alliance the aviation industry has seen?

Some in the industry believe BA and American might restrict themselves to co-ordinating routes and selling seats on each other's flights. Others think the two carriers will exchange equity stakes or even create a new company called British American Airlines.

What is clear is that an announcement by BA and American that they want to form an alliance would be only the beginning of a protracted process. Winning approval for any alliance from the US authorities is likely to take months.

Some officials believe that little progress is likely until after the US presidential elections in November. US officials have only recently begun to discuss the alliance in any detail with American. A senior US administration official travelled to Dallas for discussions last week. "They hadn't kept us informed," one US source said.

When UK and US officials are ready to discuss an alliance in detail, several problems will confront them. The first is that a far-reaching alliance will require anti-trust immunity from the US

authorities. The US has made clear, however, that it will not grant immunity unless the UK is prepared to renegotiate the bilateral aviation treaty that dictates which UK and US airlines can fly across the Atlantic to different cities.

The US says the treaty does not allow its carriers sufficient access to London's Heathrow, the busiest international airport in the world. American and United Airlines are the only two US carriers allowed to fly into Heathrow.

The US is demanding an "open skies" agreement with BA as the price for approving a deal between BA and American. The difficulty is that the US and the UK have different ideas of what open skies means. To the US, it means the right of airlines from one country to fly to any airport in the other. It also means US airlines should have "beyond rights", the ability to fly from Heathrow to any other point in the world.

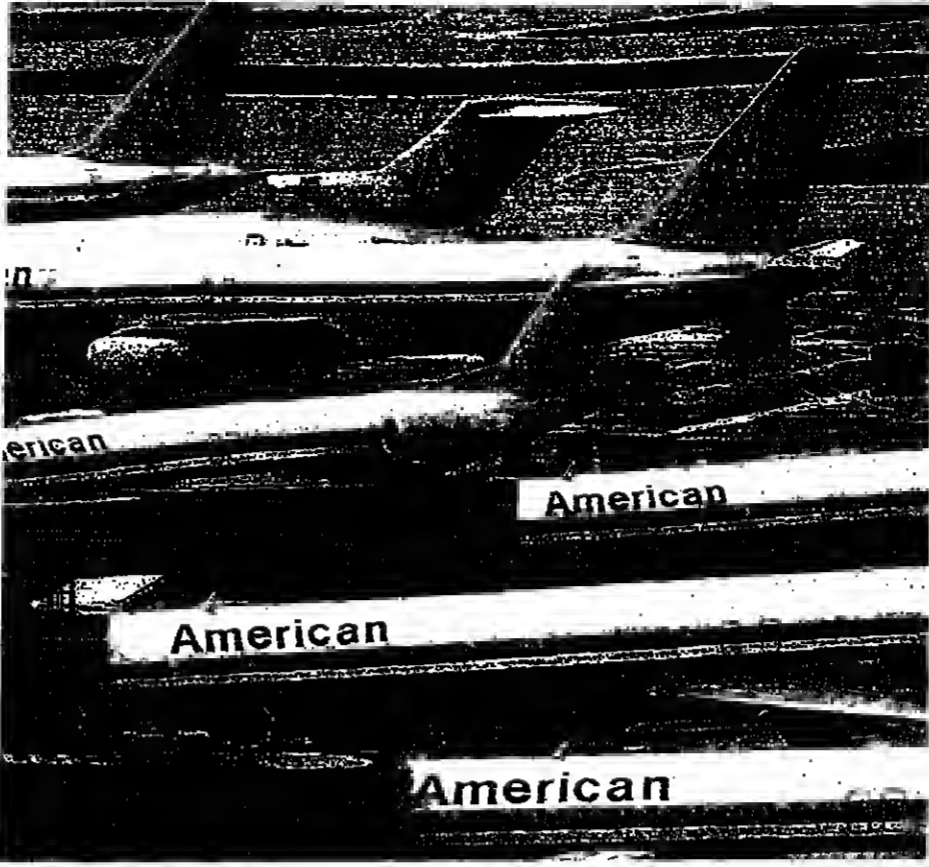
Officials in the UK seem reasonably comfortable about granting US airlines free access to Heathrow. The UK is

far more resistant to granting US airlines beyond rights. The UK believes the US demand for beyond rights is one-sided as the Americans cannot offer anything substantial in return. There are few countries that UK carriers would like to fly to from the US, whereas US airlines could use Heathrow as a base to compete with BA on prime destinations to the Far East and elsewhere.

The US will try to assuage UK anxiety by pointing out that winning the right to fly from Heathrow is only half the battle. US carriers would still have to get permission to land in third countries, a process which could take years. The UK is unconvinced. "The US has a fair amount of clout in countries such as Singapore, Malaysia, the Philippines and Japan," one UK official says.

Even granting freer access to Heathrow is fraught with difficulties. The UK will say that if US airlines win the right to fly to Heathrow, they will have to accept that the airport is full. If US carriers want to use Heathrow they will have to follow the example of Virgin and British Midland, which spent years accumulating landing and take-off slots at the airport. "An open skies agreement can't magic slots out of nowhere," a UK official says.

This attitude is unacceptable to US carriers such as Delta Air Lines, which wants to fly to Heathrow. Mr Scott Yobe, Delta's vice-president for government affairs, says: "The US government has got to obtain



On course for an alliance with BA - and trouble with everyone else

assurances that US carriers that want to take advantage of the new regime can do so. There should be some slots available at Heathrow if a BA-American alliance goes ahead. Combining the two airlines' operations would give them an overwhelming position on US routes. The two carriers together control 60 per cent of flights between the US and the UK. They account for 70 per

cent of traffic between London and New York. They would almost certainly be required to give up some of their flights if their alliance was to be approved. Virgin is likely to demand, however, that it, rather than US airlines, receives some of those slots. Virgin is also likely to call on the US and UK governments to block a BA-American alliance on the grounds

that it would be too big and would act against consumers' interests. Mr Will Whitehorn, spokesman for Virgin Atlantic, says: "They are attempting to dominate the transatlantic market. It will prevent other companies from expanding. This is completely different from any other deal ever concocted. It's Aeroflot Mark II in the capital-ist west."

awards \$1.1bn airport work

By Andrew Taylor, Construction Correspondent

A contract to design, build and operate a \$1.1bn international arrivals terminal at John F. Kennedy airport in New York has been awarded to a consortium of US, British and Dutch companies. The project is one of the largest public/private joint ventures to be undertaken in the US.

The concession to develop and operate the airport terminal over 25 years has been awarded by the New York Port Authority Board of Commissioners. The project included Bechtel, the largest US construction and engineering group, and Lehrer McGovern Bovis, the UK-owned construction group. Mr George Pataki, New York state governor, said: "The project will be a cornerstone of the \$3.4bn programme that will rebuild much of Kennedy airport over the next five years."

year by Lehman Brothers and Gitecor Securities, also members of the consortium.

Construction, due to start next year, is planned to be completed by early next century. The consortium will return the terminal to the port authority after 25 years. It will be responsible for managing the terminal and sub-letting substantial retail and leisure facilities which are expected to command premium rents.

Mr Pataki said: "The project will draw on the ability of private sector companies to deliver top quality services at the best possible price. Redevelopment of the international arrivals building will significantly contribute to the region's economy, especially in such vital sectors as international business and tourism." JFK last year handled 17m more than any other US airport. The new terminal will provide 1.4m sq ft of accommodation enclosed largely by glass walls. It will replace the existing international terminal opened in 1968 when passenger volumes were much smaller. Morse Diesel will carry out the construction of the terminal. Amec, its UK parent, is currently leading the joint venture building an 800m (51.2m) terminal at CbeK Lap Kok, Hong Kong's new international airport.

US trade policy 'encouraged heavier smoking in Asia'

By Guy de Jongh, Business Editor

Aggressive action by US trade diplomats to prise open Asian tobacco markets has resulted in a substantial increase in smoking in those countries, with adverse consequences for health, an independent US study has found.

The National Bureau of Economic Research, a non-profit research organisation, estimates that in 1991 average cigarette consumption per head was almost 10 per cent higher in Japan, Taiwan, South Korea and Thailand than it would have been if their markets had remained closed.

"Given the substantial health consequences of cigarette smoking, one likely consequence of this liberalisation of trade is an increase in the morbidity and mortality associated with cigarette smoking in these countries," the study says.

It estimates that if China and other east Asian markets had also yielded to US pressure to open their markets to imports, under threat of retaliatory trade sanctions, cigarette consumption in the region would have been 7.5 per cent higher.

The US tobacco industry, which exports almost 30 per cent of its cigarette production, has repeatedly denied suggestions that its entry into previously closed markets has

encouraged higher consumption levels. However, the NBER study claims to be the first to attempt to measure smoking trends in Asia using a sophisticated economic model to analyse data from export markets. It compares consumption patterns in the four open markets with those in six other Asian countries, adjusted to reflect national income.

It finds that in the four markets, consumption of US cigarettes was more than 600 per

cent higher than when they signed agreements, under pressure from Washington, to admit foreign tobacco products.

The study suggests US exports helped raise overall consumption partly because they led to fiercer price competition and because they were backed by powerful advertising and marketing campaigns.

The study notes that the US acted most aggressively to open foreign tobacco markets

under the Reagan and Bush administrations. The Clinton administration had taken a softer line, saying it would respect other countries' health regulations, even if they conflicted with US law.

US trade policy and cigarette smoking in Asia. Working Paper 5,543, Frank J Chaloupka and Aditi Laizuthai, NBER, 1050 Massachusetts Avenue, Cambridge, Mass. 02138. Tel: 617-868 3900. Fax: 617-411 3835.

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WORLD TRADE NEWS DIGEST

Siemens wins Philippine deal

Siemens of Germany yesterday won a \$650m contract to build a 900MW gas-fired power plant at Batangas in the Philippines. The contract, awarded by First Gas Holdings, a joint venture between British Gas and a local partner, also includes infrastructure and fuel transportation facilities for the plant 80km from Manila.

The power station will be supplied with natural gas by pipeline from the Malampaya gas field in the Philippines, which has reserves of 12,000bn cubic metres. The Malampaya gasfield, jointly controlled by Shell Philippines, the local arm of the Anglo-Dutch group, and Occidental of the US, recently became the subject of controversy when the Philippine government announced plans to import liquefied natural gas (LNG) to supply local power stations.

Shell and Occidental argued that the gasfield, which has the capacity to supply the equivalent of 3,000MW of power a year for 20 years, was more than sufficient for local needs. They also argued that importing LNG would undermine the country's drive for energy self-reliance and led to unnecessary foreign exchange risks.

Canada faces magazine dispute

The US yesterday called for establishment of a World Trade Organisation disputes panel to examine Canada's allegedly discriminatory treatment of imported magazines.

Though Canada refused to accept a panel at the first time of asking, under WTO rules it must do so when the request is made again at the next meeting of the dispute settlement body on June 19. Washington says Canada bars the import of some periodicals, imposes discriminatory excise taxes on so-called "split-run" magazines (US magazines with Canadian content and advertising for circulation in Canada), and gives some Canadian periodicals favourable postal rates.

Canada said "cultural" measures in the magazine sector were of long standing, but there were no restrictions on foreign magazines.

Pierson hints on Airbus future

Mr Jean Pierson, managing director of Airbus Industrie, yesterday indicated that the Reuter committee examining the future of the European manufacturing consortium will recommend turning it into a limited company. Mr Pierson told the Aviation Club in London that he could not pre-empt the conclusion of the committee, which is chaired by Mr Edward Reuter, former chairman of Daimler-Benz of Germany.

But Mr Pierson added: "I can confirm its central ambition will be to create an organisation that best equips us to continue our war on costs and further sharpens our responsiveness to customers. And let me reaffirm that this war is best fought by an Airbus Industrie functioning as an integrated company." Airbus is currently a *groupement d'intérêt économique*, which means its profits and losses are incurred by its shareholders, Aérospatiale of France, Daimler-Benz Aerospace, British Aerospace and Casa of Spain.

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The costs related to this supply will be covered by COPEL's own funds.

The instructions to bidders and the Contract Documents will be available to bidders from May 31, 1996, until the day before the documents delivery date, against payment in Brazilian currency of R\$ 150.00 (one hundred and fifty Reals), at the following address:

Superintendência de Obras de Gerção
Rua Voluntários de Pátria, 233 - 5º Andar - Sala 504
80020-000 - Curitiba - PR, Brazil
Phone (51-41) 222-1212 Ext. 5941
Fax (51-41) 281-4255

or
Escritório COPEL / São Paulo
Alameda Santos, 1600 - 14º Andar - Conj. 148
01419-200 - São Paulo - SP, Brazil
Phone (55-11) 289-1421

At the time of purchase of the instructions to bidders and the Contract Documents, the company shall present a letter containing name and department of the person for contact, higher complete mailing address, phone and fax.

The receipt of the Qualification Documents and the Price Bids is scheduled for August 07, 1996, at 2:00 pm, at COPEL's office meeting room, in Curitiba, 233 Voluntários do Pátria Street, ground floor.

The competition will be ruled by Brazilian Law no 8068, dated June 21, 1993, and by other conditions stated in the instructions to bidders and in the Contract Documents.

LEGAL NOTICES

NOTICE OF DISTRIBUTIONS TO HOLDERS OF U.S. \$19,143,000 ORIGINAL PRINCIPAL AMOUNT OF 10-1/2% BONDS DUE 2003 ISSUED BY MLH REALTY INVESTMENTS V (B) N.V. INC., A WHOLLY-OWNED SUBSIDIARY OF MLH REALTY INVESTMENTS V N.V.

During the semi-annual period ended March 31, 1996, MLH Income Realty Partnership V ("MLHRP V") in which MLH Realty Investments V (B) N.V. Inc. (the "Issuer"), a wholly-owned subsidiary of MLH Realty Investments V N.V. ("NVS"), holds units representing limited partnership interests (the "Units"), sold its investments in Two Oliver Street, 147 Milk Street, Vista D'Alto and the remaining parcel of land at Haymarket Mall. A description of these sales is provided in MLHRP V's most recent report to investors dated May 20, 1996 for the fiscal quarter ended March 31, 1996. Such report may be obtained from Morgan Guaranty Trust Company of New York, the Issuer's paying agent (the "Paying Agent"), upon request. In addition, the consolidated financial statements of NVS and the Issuer for the fiscal year ended September 30, 1995, are also available from the Paying Agent upon request.

On June 14, 1996, the Issuer, through its Paying Agent, will make available to the holders on such date of its 10-1/2% Bonds due 2003 with an original principal amount of U.S. \$19,143,000 (the "Bonds") a payment of accrued interest and a partial payment of principal on such Bonds. Each holder of the Bonds on such date will be entitled to receive accrued interest of \$37.86 (which represents all accrued but unpaid interest on the Bonds through such date) and a partial payment of principal of \$8.14 for each \$750 original principal amount of the Bonds. The accrued interest and the partial payment of principal represent the property sale proceeds and related interest distributed by MLHRP V on the Units on May 31, 1996.

In order to receive the above interest and principal payments due June 14, 1996, each Bondholder will be required to deliver to the Paying Agent, at 60 Victoria Embankment, London EC4V 0JP, England, Interest Coupon Number 20, which covers the semi-annual interest payment, and Principal Coupon Number 2, which covers the partial payment of principal. If you have not already done so, please submit these coupons to the Paying Agent.

By: MLH Realty Investments V (B) N.V. Inc. (formerly known as MLH Realty Investments V (B) N.V.)

Dated: June 7, 1996

Launch insurance costs 'set to fall'

Insurance costs on satellite launches are likely to fall sharply once Ariane 5 arrives on the commercial market, according to Mr Charles Bigot, chairman of Arianespace, the France-based organisation with more than 50 per cent of the world market for commercial satellite launches.

This is partly because of the guarantee of a free relaunch that the company is offering customers in the event of the failure of any Ariane 5 mission and partly because of what it is convinced will be the greater reliability of the new rocket.

European space officials say there is a risk of one possible failure every 70 launches with Ariane 5, against one every 15-20 launches with its predecessor, the Ariane 4.

The maiden flight of the Ariane 5 ended in failure in French Guiana on Tuesday when the rocket exploded shortly after lift-off. The investigation into the causes of the accident is focusing on the electrical system and on computer software. The investigating commission will report by mid-July.

According to Mr Bigot, insurance rates for a typical Ariane 4 launch are currently running at 14-15 per cent of the total insurance value, against around 18 per cent a year ago.

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Cuban trade zones aim at foreign cash

By Pascal Fletcher in Havana

Cuba yesterday presented legislation for the creation of free trade and industrial zones in an effort to maintain foreign investment interest in the face of tightened US economic sanctions.

The new decree law detailed the tax, customs and labour regulations that will govern the zones, which were first mentioned in a foreign investment law introduced by Cuba last September 5.

"We think Cuba is an attractive site for free trade zones," said Mr Ibrahim Ferradaz, minister for foreign investment. The island could offer a privileged geographical position, a developed transport and communications system and a skilled and educated workforce, he added.

A number of sites were under study. These included two ports, Mariel, 27 miles west of Havana on the north

coast, and Cienfuegos, on the south coast. Another possible site was Gnanajay, near Havana's international airport.

Officials portrayed the free trade zones law as a clear sign that Cuba remained open to foreign capital despite the US legislation aimed at discouraging foreign investment on the island.

Asked about reports that Mexican companies were withdrawing from ventures in Cuba because of the Helms-Burton legislation, aimed at punishing foreign companies that do business involving Cuban property confiscated from US citizens and companies, Mr Ferradaz said his ministry had not been told of any withdrawal by an existing investor.

Besides exemption from customs duties on imports into the designated areas, the Cuban free zones would offer exemptions and rebates on utilities and labour taxes normally paid by foreign companies. For

production activities, there would be a 12-year total exemption followed by five years of a 50 per cent rebate. For trade and services, the total exemption would last five years followed by three years of 50 per cent rebate.

Existing Cuban labour regulations would apply, but joint ventures in the free zones could be allowed to contract workers directly, without a Cuban intermediary, if they received permission.

The law foresees two categories of investor, both foreign and national. "Concessionaries", who would provide infrastructure and services, such as factories, warehouses and offices, could enjoy concessions up to 50 years. In the case of "operators", designating those who were manufacturing or carrying out other business, the concession period was negotiable. Banking, financial and insurance services would also be allowed.

Dole makes last budget point in Senate

By Patti Waldmeir in Washington

Senator Bob Dole yesterday sought to score a few final political points before leaving the Senate to concentrate full-time on his presidential campaign, when he forced a vote on a balanced budget constitutional amendment knowing that Senate Democrats would block it.

Mr Dole, who is to retire from the Senate next week, said it was not important

whether he won or lost the vote. He wanted to hold it anyway to "make a statement" to show Republicans care more about balancing the federal budget than do the Democrats and President Bill Clinton. The Senate voted 64-35 for the proposal, two votes short of the two-thirds majority needed to amend the constitution.

Public opinion polls continue to show strong public support for a balanced budget, and Mr Dole is hoping to use the issue to boost his presidential campaign.

The latest vote will allow him to say on the stump that Democrats in Congress twice stood in the way of the fulfilment of a Republican promise - contained in the 1994 Contract with America - to change the constitution so that the federal government would be forced to balance its budget. In March last year, Democrats defeated the proposed amendment in the Senate by one vote.

Mr Dole even enlisted the help of Thomas Jefferson yesterday, in a speech on the Senate floor designed to differentiate his image from that of Mr Clinton. More than 200 years ago, he said, Jefferson had insisted it was wrong to "saddle posterity with our debts" and modern-day Republicans still held to that rule.

He bolstered that prohibition with a few figures in modern-day dollars: It cost today's taxpayers \$800 a year in taxes just to service the national debt, he said, adding that by driving up interest rates, the deficit

imposed a "stealth tax" on every American.

The White House immediately countered Mr Dole's assault. Mr Mike McCurry, the presidential spokesman, said the Senate vote was a "meaningless gesture", and Mr Clinton stressed that no constitutional change was needed to achieve budget balance.

Democrats accuse Mr Dole of hypocrisy for insisting on a balanced budget amendment while simultaneously calling for big tax cuts.

Cavallo reforms Argentine economic ministry

By David Pilling in Buenos Aires

Mr Domingo Cavallo, Argentina's economy minister, has assumed direct control of the internal revenue service (DGI) in a reshuffle designed to streamline the ministry and to strengthen his own power base.

The economy minister, who admitted earlier this week that the DGI had failed to stamp

out tax evasion, will now be personally responsible for increasing collection, vital if Argentina is to meet its International Monetary Fund targets in 1996 and 1997.

The move could risk greater conflict between Mr Cavallo and the Congress, since the DGI has recently launched a series of controversial measures designed to crack down on tax evasion. These include a "certificate of good financial

conduct" which individuals will require to undertake any important transaction, as well as plans to allow the DGI greater access to personal financial information such as credit-card spending.

Given the sensitivity of tax issues in Argentina, Mr Cavallo is likely to be exposed to public criticism should his clampdown be deemed too harsh. Equally, should new measures fail to raise the tax

take, the minister could also find himself in the line of fire.

Mr Cavallo, in a ministerial reshuffle that foreshadows scheduled reform of the entire state bureaucracy, merged several secretariats within his so-called superministry.

Mr Marcelo Repúnaga will head a newly fused trade, investment, mining and industry secretariat, assuming responsibilities previously held by Mr Carlos Magariños over

mining and industrial policy. Mr Carlos Bastos, energy and transport minister, adds public works to his portfolio. Two subsecretariats, of investment and small and medium business, have been scrapped.

Although Mr Cavallo's empire has ceded some powers in recent months, the superministry is still regarded by many as acting like a separate cabinet within the administration.

Ecuador's populist in the lead

And the polls are worrying the markets, reports Raymond Colitt

Ecuador's presidential elections next month are being depicted in the financial markets as a battle between populism and pragmatism. And opinion polls being published before a black-out starting this weekend suggest populism - in the form of Mr Abdala Bucaram of the Roldosista party - has a strong lead.

Mr Jaime Nebot of the centre-right Social Christian party (PSC), who won most votes in the first round of the elections last month, has reduced Mr Bucaram's lead in the last week or so. But, according to two polls published yesterday, Mr Bucaram is still ahead by between 6 and 12 percentage points for the run-off election on July 7.

Brady bonds issued by Ecuador as part of a debt restructuring agreement with international banks last year, and the country's most widely traded financial instrument, have "by

far been the worst performers in the market since Bucaram's surprisingly strong showing in the first round on May 19," according to Mr Peter West of WestMerchant Capital Markets in London.

According to a recent survey of Ecuador's leading economic analysts and journalists, released by the consulting firm Multiplica, a government under Mr Bucaram would be inefficient, intolerant, state-oriented, and driven by personal interests, while Mr Nebot's would be efficient and market-oriented - but also authoritarian and indifferent to social inequalities.

Mr Bucaram, the grandson of Lebanese immigrants and a lawyer by training, boasts of having been the target of 44 legal proceedings. He was twice exiled to Panama and charged with fraud while mayor of Guayaquil. His sister Elsa Bucaram is still in exile in Panama over charges of embez-

zement while she was mayor in Guayaquil.

Mr Bucaram derides the wealthy, saying he represents "whores, peasants, and farmers, the ones without a voice in [the] country".

Says Mrs Rosalia Arteaga, Mr Bucaram's running mate: "We're not obsessed with figures; at times, all they do is strangle the people." She proposes strengthening the moribund social security institute IESS, forgiving overdue interest payments for farmers, and adopting subsidies for the poor. Mr Bucaram would also seek to renegotiate Ecuador's foreign debt according to "the country's ability to pay".

Though Mr Nebot has softened his talk of market-oriented reform to broaden his appeal, his advisers say he would still push ahead with the modernisation of the state, including the sale of a 35 per cent stake in the

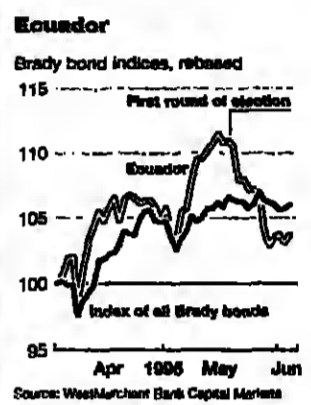
telecommunications and electricity companies, Enatel and Inecel respectively. Pending the establishment of a rate structure and a final appraisal of Enatel, the share package could go on the market in the second half of the year, though legislative approval for the privatisation is still deadlocked in congress.

According to Mr Francisco Swett, Mr Nebot's economic adviser, a PSC-led government would even consider the sale of "shares in certain sectors of the petroleum industry". Mr Swett, a Princeton-trained economist and prominent member of the PSC, says he aspires to head the monetary board or the state modernisation entity, Conam, where he is currently a consultant.

By law, the estimated \$2.5bn in proceeds from Enatel's partial privatisation would go to a fund, income from which would be reserved for social sector investment. The fund's



Jaime Nebot: regime predicted to be efficient and market-oriented but authoritarian



monetary reserves at \$1.6bn, five months' export earnings, annual inflation of 21 per cent, and a budget deficit close to 1 per cent of GDP.

Moreover, lacking a clear majority in congress, both contenders would have to forge compromises to avoid stalemate.

"Both candidates would have to continue with the opening of the economy," says Mr Alberto Quiroz, president of the Quito stock exchange. "It will be very difficult to take the country off its course in economic and exchange rate policy."



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NEWS: ASIA-PACIFIC

Japan housing loan bail-out plan approved

By Gerard Baker in Tokyo

A Japanese parliamentary committee yesterday finally approved a government plan to spend ¥865bn (\$6.33bn) of public money towards the liquidation of the country's bankrupt housing loan companies.

However, it looked increasingly certain last night that the funds would never in fact be used.

The governing parties' majority on a special committee of the lower house was sufficient to push through a series of financial reform bills, including the highly unpopular spending plan, over opposition protest.

Legislators have been wrangling over the measure for six months, but the committee vote brings enactment of the legislation much closer. The bills will go to the full lower house today. If they are approved they will be voted on by the upper house before the scheduled end of the parliamentary session next week.

It seems almost certain, however, that most of the money allocated will never be disbursed towards the housing loan company bailout. Pressure from the opposition and



Hashimoto: his government wants commercial banks and other institutions to raise contributions to bail-out

tors of the housing loan companies, to increase their contribution to the bailout.

Currently the scheme calls for the banks that founded the housing lenders to write off losses of ¥3,500bn, other banks ¥1,700bn and the agricultural bodies ¥530bn.

Public funds would pick up the remaining ¥865bn. However the banks and the agricultural co-ops are to be asked voluntarily to increase their share of the losses.

In spite of their misgivings both groups appeared yesterday to be prepared to accede to the government's request in order to avoid further delay in settling the liquidation.

The curious compromise of having the funds approved by parliament only for the government to all but abandon the plan seems to have been designed to minimise the political disfigurement of all sides in the dispute.

Both government and opposition have staked their political success on the outcome of the debate on the housing loan bailout. Those stakes had even risen too high for either side to be seen to lose.

It seems certain most of the money will never be disbursed

the public over the last few months has forced the government to consider modifications to the plan.

Senior officials at the finance ministry indicated yesterday that, once the measure had received parliamentary approval, the private sector would be asked to shoulder more of the costs of the liquidation scheme.

The government of prime minister Ryutaro Hashimoto is expected formally to request the commercial banks and agricultural financial institutions, the two principal credi-

Everything to go in Cook Islands sale

By Edward Luce in Manila and Nikki Tait in Sydney

The Cook Islands, the tiny debt-ridden South Pacific nation of just 20,000 people, is about to become an unlikely laboratory for an exercise in economic shock therapy.

Prompted by the islands' disastrous debt, owing chiefly to its default last year on a US\$100m debt to an Italian bank for the construction of a luxury hotel, the Cook Islands plans to cut the public sector workforce by two-thirds to 1,200 employees, axe 30 out of 52 government departments and close all overseas diplomatic missions except its high

commission in New Zealand. Its national debt stands at US\$141m, about 120 per cent of gross domestic product.

The reform package of mass privatisation and deregulation, to be launched on July 1, was assembled in barely 72 hours after the conclusion of a donors' meeting in Fiji on Monday.

The plan has been drawn up partly on the advice of the New Zealand government. New Zealand, one of the donor nations at this week's meeting, is titular sovereign of the Cook Islands and itself a trailblazer in radical economic experimentation.

One economist said New Zealand was exporting "Rogernomics" to the islands, a reference to Mr Roger Douglas, Wellington's radical finance minister of the mid-1980s.

"It would be fair to say that these reforms are even more radical than the recent New Zealand reforms," said Mr John Samy, an economist at the Asian Development Bank.

Triggered by an initial default on the national debt last year, several senior officials in the recently elected government have resigned amid controversy in the past 18 months.

One prominent scandal is the still uncompleted 200-room Sheraton Hotel, on the outskirts of Avarua, capital of the Cook Islands. The government was persuaded to back the scheme by Mr Francesco Pecchi, an Italian businessman. The scheme attracted the backing of the Italian government, but funding ran out and Mr Pecchi was later found murdered in Vanuatu.

As part of the radical reforms, the Cook Islands will next month privatise most of the state sector, including four hotels, the state alcohol store and the Cook Islands Broadcasting Corporation.

In addition, a series of bills are expected to be enacted in July handing over the auditing of public finances to private

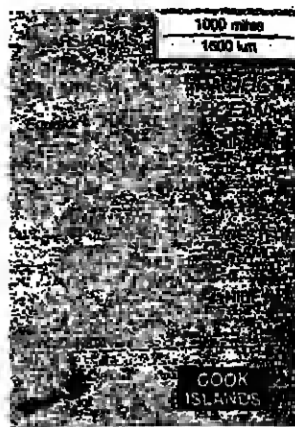
companies, moving the state budget to a transparent accounting system and contracting out an array of government functions to the private sector.

The Asian Development Bank, which is to lead a multilateral team to restructure the country's debt, estimates the reforms will be completed within months.

These latest measures follow earlier attempts to correct the economic ills.

Last year the crisis led to the replacement of the Cook Islands dollar with the New Zealand dollar, transferring currency and interest rate control to the New Zealand Reserve Bank in Wellington.

And in March, the authorities imposed an immediate 15 per cent pay cut for all public sector employees and a 50 per cent salary deferral lasting two years - which sparked street demonstrations.



COOK ISLANDS

Reform pledge hailed in India

By Mark Nicholson in New Delhi

India's business and financial leaders have responded with relief to the pro-reform tenor of the new United Front government's first policy statement.

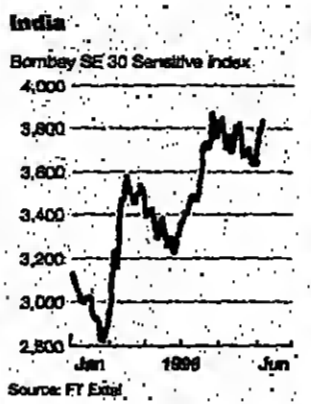
But this is tempered by economists' warnings that the coalition's determination to put development and investment before "fiscal prudence" could lead to serious slippage in the delicate fiscal position.

Much of the reaction in industry and financial markets (the Bombay 30-share index rose 17.26 points to 3,830.31) derives from the fact that the United Front's "minimum programme", issued on Wednesday, suggests no reversal of India's four-year-old reform programme and in some cases hints at further liberalising.

This from a 13-member coalition comprising largely leftist, lower-caste or "social justice" parties from which less had been expected and worse feared.

Mr Shekhar Datta, president of the Confederation of Indian Industry, welcomed the programme as "an historic and unprecedented" policy document. "It's much more liberal than we thought," agreed Mr V. Raghuraman, secretary-general of the Associated Chambers of Commerce and Industry of India.

Through the Indian press and business leaders' comments rang the same refrain:



the document showed there was an irreversible political consensus on deregulating and liberalising reforms.

Few commentators believed the government could readily raise growth rates from 6 to 7 per cent, "abolish poverty" by 2005, double education spending to 6 per cent of gross domestic product, raise infrastructure spending to 6 per cent of GDP or, given such commitments, cut the fiscal deficit to below 4 per cent of GDP, as the document suggests.

Such claims are seen as inevitable from a government elected by largely poorer, rural and lower-caste voters.

Many were impressed that a government including socialists and communists was prepared to countenance continued public-sector disinvestment, said it would "discour-

age" but not bar foreign investment in "low-priority sectors" and be prepared to open the long-nationalised insurance sector to private and foreign competition.

The insurance move alone, said Mr Rajiv Lall, vice-president of Morgan Stanley Asia, would be a "huge development" - crucial for emergence of a properly liquid long-term debt market.

The UP's pledge to review "all controls and regulations that are in the way of increasing the incomes of farmers" was widely welcomed as opening a critical area of reform left virtually untouched by the former Congress government.

Many felt the UP's document was close to what might have been expected from a returned Congress government.

Industry and markets have taken cheer not only from the fact that Mr P. Chidambaram, finance minister, is a zealously reformist former member of the old Congress government. In addition, he has so far retained the respected bureaucrats who set in motion India's liberalisation programme.

As several economists warned, this team faces a greater challenge in balancing the political requirements of the new government with its stated goal of cutting India's fiscal gap from 4.9 per cent of GDP to "below" 4 per cent.

Few felt the government would easily match the present deficit level, given its implied

promises to raise spending on public enterprises, education, health, agriculture, subsidies and infrastructure.

The Reserve Bank of India warned this week that though the last government had "reasonable success" in controlling the deficit, India's fiscal position was "fragile" and under increasing strain.

Higher government borrowings, at increasingly high interest rates, were already threatening a debt trap. Interest payments now take up 52 per cent of the government's receipts, against 30 per cent in the mid-1980s, the bank said.

Economists at Jardine Fleming and Crosby Securities attached alarm bells to the government's pledge to put "development" (state investment spending) before "fiscal prudence". "The government is looking to be populist," one Bombay-based economist said, "so fiscal deficit is damned."

Keen eyes will be fixed on Mr Chidambaram's first budget, due mid-July. He and his government may find they have less room to manoeuvre than their spending promises suppose.

"The only reason the fiscal situation has been contained in the past few years has been because of India's fabulous growth rates," says Mr Ajayna Mahendran, Crosby's chief regional economist. "But when growth falters, the fiscal position has a habit of unravelling fast."

Pol Pot fatally ill or dead, say rebel officials

By Ted Barakat in Bangkok

Pol Pot, the nefarious leader of the Khmer Rouge, which ruled Cambodia from 1975 to 1979 and still terrorises the country today, is fatally ill or already dead, some Cambodian intelligence officers and rebel officials said yesterday.

Cambodian interior ministry officials said they could not be sure of Pol Pot's condition. Thai military officers said that while Pol Pot was ill with malaria and high blood pressure, he was not in a serious condition. Reports of his death circulated earlier this year but were later widely discounted.

Cambodian government officials have speculated that the Khmer Rouge might be deliberately spreading rumors of Pol Pot's death in an attempt to encourage people to forget about him. The organisation views Pol Pot's legacy as an enduring liability.

Pol Pot was architect of one of the bloodiest episodes of mass murder this century. Some 2m people of a population of 6m were killed in the Khmer Rouge's four-year reign. He has not been seen in public since just after he was ousted in 1979 by the Vietnamese.

Although he nominally stepped down from his leadership position in 1985, he continued to control the organisation which, backed by the US, continued to wage a guerrilla war against the Vietnamese-backed communist government throughout the 1990s.

A veteran of radical student politics in France in the early 1960s, Pol Pot was said to have directed Khmer Rouge participation in a 1991 UN-brokered peace accord, and then ruthlessly enforced his order that the group should boycott elections in 1993.

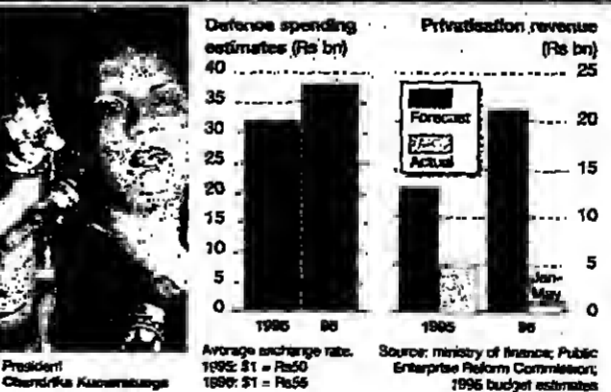
Under Pol Pot, the Khmer Rouge attempted to enforce a brutal agrarian utopia free of cities, money, private property, religion and intellectuals.

Mr recently, still under his charismatic leadership, the Khmer Rouge evolved into an lucrative organisation of bandits today controlling logging and gem mining, mostly on the border with Thailand.

Cambodia's King Norodom Sihanouk has said "the Khmer Rouge movement would disappear if Pol Pot disappears". Other analysts say some of his followers, probably numbering under 10,000, would be hard pressed to give up their activities in areas they still control.

Sri Lanka left may foil push for sell-offs

Sri Lanka: under pressure



Sri Lanka's plans to revive its war-battered economy through an ambitious programme of privatisation could be shot down by leftwing opposition from within the ruling coalition, adding to concerns over forecasts of rising inflation and slower growth.

The government estimated a revenue of Rs21bn (\$322m) from the sale of state enterprises this year, but in the first five months only Rs1bn has been realised. Defence spending has risen from Rs22bn last year to an estimated Rs28bn this year, as security forces continued to battle Tamil Tiger guerrillas in the north.

Pro-government leftist unions last week staged a four-day strike, protesting at the privatisation of an electricity distributing utility, the latest in a string of industrial actions against state sell-offs.

The power workers' strike was settled only after President Chandrika Kumaratunga said she had suspended the sale of Lanka Electricity Company (Leco) because offers received were \$8m short of the expected \$38m.

Labour unrest and power cuts in the past three months have affected industrial output, fuelled inflation, discouraged foreign investors and compounded the problems of increasing defence spending.

Prices rose 4.8 per cent in May, against 3 per cent in April. Industrialists say economic growth is expected to be 3.4 per cent this year, down from 5.5 per cent last year

and 6.7 per cent in 1994.

Leftist members of President Kumaratunga's People's Alliance (PA) coalition say they will stick to their manifesto pledge and oppose privatisation. "We believe that public utilities, essential for day-to-day life, must function under government control," a leftist MP said.

President Kumaratunga insists privatisation will go ahead. "I am confident we can raise this money," she said.

Sale of the national airline, Air Lanka, and Sri Lanka Telecom has been delayed for administrative reasons and their unions are threatening action against privatisation.

President Kumaratunga's optimism is shared by the head of the privatisation authority, Mr Rajan Ariswatham. He was hopeful of reaching the 1996 target. "We will call for bids" for 40 per cent of Air Lanka and 20 per cent of Sri Lanka Telecom between August and September, he said. "We are also divesting government holdings in some enterprises already privatised."

The president says privatisation is essential for growth but that the state will not sell any venture below market value.

Government determination to realise its target prices could hold up some state disposals. However, the national budget hinges on privatisation receipts: any shortfall would compound problems, such as rising inflation.

Anal Jayasinghe

ASIA-PACIFIC NEWS DIGEST

Subpoena on Thai bank chief

The government committee in charge of the troubled Bangkok Bank of Commerce, taken over by Thai financial authorities last month, has found evidence of wrongdoing by the former-president of the bank. Thai finance minister Mr Bodi Chummananda said yesterday.

Mr Bodi said the committee would seek a subpoena to compel former bank president Kirikiat Jitichandra, fired by the committee yesterday, to return to Thailand and answer questions about the bank's lending policy under his tenure. Mr Kirikiat fled hours before the government took over the bank.

Mr Kirikiat, whose family owns a majority stake in the bank, had provided over an era of high-risk lending policies including B77bn (\$3bn) in poorly provisioned, hard or doubtful loans. The bank's borrowers, many of whom put up insufficient collateral, included a string of politicians and Mr Kirikiat himself, according to central bank documents presented to the Thai parliament last month. Mr Bodi, named as finance minister last week, is taking a hard line to restore the credibility of Thai financial regulators, widely criticised over the bank's difficulties.

Ted Barakat, Bangkok

Taiwan premier risks vote

Taiwan's premier Lien Chan yesterday decided to risk a no-confidence vote by attempting to override a parliamentary resolution that halted construction of a nuclear power plant in Taipei County.

A motion to override the resolution would be sent to parliament soon, officials said, the president had asked for the public to be educated about the safety and importance of the \$6.4bn plant.

Such a motion would be the first by cabinet to reverse a parliamentary vote, a right granted by the constitution. Observers said if the motion failed to get the required two-thirds majority, Mr Lien would be forced to resign, as the result would be tantamount to a no-confidence vote.

Despite the vote, cabinet awarded a \$1.75bn contract to General Electric to supply design, equip and fuel part of the nuclear power project. GE will design two 1,350MW advanced boiling water reactors for the plant, the island's fourth nuclear facility. Cabinet said the project's budget had been formally approved by parliament, which could not override it.

The state-run Taiwan Power Company has spent about \$210m to build 12 per cent of the project. It also owes \$12.3m for civil work completed.

AFP, Taipei

Australia jobless rate eases

Australia's unemployment rate eased to 8.5 per cent in May, after rising to 8.9 per cent in April. An estimated 34,000 jobs were added during the month, against 9,800 in April. Analysts had already concluded the unexpectedly high unemployment percentage in April was overstated and that yesterday's data were largely in line with expectations.

Nikki Tait, Sydney

'City of future' funding ceases

The Australian federal government is to cease funding the "Multi-Functional Polis" project in South Australia. Devised in the late-1990s and early 1990s, the project aimed to create a "smart city" of the future, incorporating high-technology industries, research facilities and environmentally sensitive urban development.

Interest from some big Japanese investors failed to materialise several years ago, and the project has since limped on. Sir Llew Edwards, project chairman, said yesterday withdrawal of any future federal subsidy would shatter the project's international status; he would be seeking to meet prime minister John Howard to discuss the situation. About A\$100m (US\$79.85m) has been spent on the project.

Nikki Tait

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FINANCIAL TIMES Information

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Kenya Airways gets a flying start on Nairobi stock exchange

Employees in the newly privatised carrier's share ownership plan are delighted as stocks gain 20% in the first few days of trading

By Joel Kibazo

Mr Nahashon Karanja, a 29-year-old technical assistant at Kenya Airways, could hardly suppress his new found enthusiasm for stocks as share trading in the newly privatised carrier finally started this week.

"I am looking for money to buy more shares. I think this is one of the best ways to invest and I hope my first child, when it is born, will take up the same habit," he said.

He will not have been disappointed. Since the shares started trading on Mon-

day, they have recorded a 20 per cent gain on their issue price of Ksh1.26 (\$0.19) a share.

Mr Karanja, who has been with the company since 1990, and his 2,400 fellow workers are the first employees in a Kenyan company to be part of an employee share ownership plan.

Under the terms of the country's biggest and most successful privatisation, the government retained a 23 per cent holding in Kenya Airways but sold 40 per cent to overseas investors, and 34 per cent to the Kenyan public. The remaining 3 per cent has been set aside for employees, partly as

a reward for helping effect a turnaround in the airline's fortunes from losses of \$50m in 1992 to profits expected to exceed \$22m this year.

Citibank, lead advisers to Kenya Airways during the flotation, said: "We needed to structure the scheme under Kenya's tax laws and most importantly reduce the tax burden on the employees receiving the shares. Even an interest-free loan would have attracted some tax."

The answer was to create Kenya's first unit trust. Thus employees do not own shares in Kenya Airways directly but each worker has been given 1,000 units, each

unit corresponding to one share, on condition they purchase another 1,000 units, which they can pay for over five years.

The trust receives the dividend income on shares, which is subject to tax at about 7.5 per cent. Payments made to the employees by the trustees are not taxed.

"We believe this is a structure that will work under current regulations here in Kenya and, who knows, it may even become a model for others to follow," the bank said. However, the route to the share ownership scheme's launch was far from straightforward and the company and its advisers were forced to issue the Esop

proposals without clarification on the tax position for employees.

Bankers blame sections of the government for wanting to tax employees on the returns earned through share options but this was denied by Mr George Mitine, head of the government's privatisation unit.

"The plan for Kenya Airways to start an employee share ownership scheme was approved by the minister of finance and all senior officials. However, there were some bureaucrats who did not understand that this had been agreed upon."

Surprisingly, given that this is the Nairobi stock exchange's biggest issue and is

expected to increase the capitalisation of the local market by about 6 per cent, Kenya Airways' shares have yet to be included in the local index which comprises 30 companies.

Mr Paul Melly, chief executive of the capital markets authority in Nairobi, said companies usually had to wait a year before they could be included in the index. However, he said given the impact the shares had already had on the market, "Kenya Airways shares may not have to wait for a year before they are in the index. The Nairobi stock exchange is considering the matter."

US financial short termism finds favour

By Stefan Wagstyl, Industrial Editor, in London

The much-criticised American pursuit of short-term financial performance actually makes US companies use their capital far more productively than their German and Japanese rivals, according to a study published today.

The finding by McKinsey, the management consultancy, flies in the face of the common belief that financial short-termism undermines economic performance.

"The high levels of productivity attained in most US industries does not square with the conventional wisdom that the US capital market undermines economic performance by forcing firms to be too focused on short-term results," says the report, which could have significant implications for economic policymakers.

The authors say that competitive open markets also help ensure that American managers use their resources more productively than their counterparts in Germany and Japan.

The report found that capital productivity - the amount produced for every unit of capital - was significantly greater in the US than in Germany or Japan. This performance helped to improve the total productivity of the US, since labour productivity in America is also higher than in Germany and Japan.

The higher capital productivity in the US creates bigger financial returns on investment which compensates for the fact that Americans save less of their income than Japanese or Germans. So they both accumulate more wealth and consume more at the same time.

McKinsey says that even though German and Japanese factories are well-endowed with capital they do not squeeze as much out of it as American plants. In 1990-93, Germany's capital per capita was 13 per cent higher than in the US and Japan's was 22 per cent higher. But capital productivity was 38 per cent lower in Germany and 37 per cent lower in Japan.

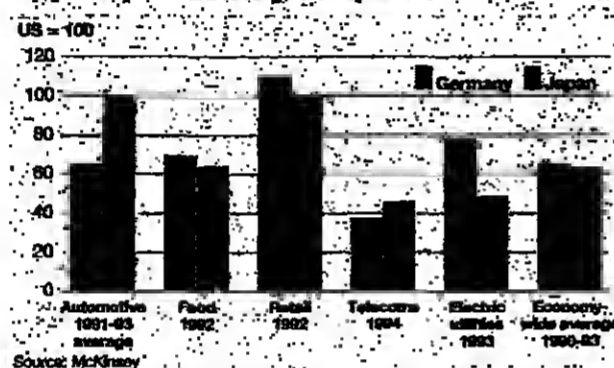
The report says although markets in both Germany and Japan are constrained by economic regulations, these rules are not the only significant barrier to improving productivity. German and Japanese

afford such luxuries because the capital market "gives managers a clear primary objective - financial performance - that generally guides them to use their resources productively."

The report also tackles what it calls a paradox of the US economy - the fact that American wealth generation is high even though net savings are low, as commentators often bemoan. McKinsey says that the commonly-quoted net savings figures, which show Germans and Japanese save much more of their income than Americans, are misleading.

The net savings rate is calcul-

Capital productivity compared



managers could do better even in their current business environments by paying more attention to productivity - including improving manufacturing quality and marketing, says the report. For example, in Germany companies waste money over-engineering and "gold-plating" products - such as Deutsche Telekom, the telecommunications utility, demanding that telephone cables should be strong enough to be tank-proof.

labeled after taking account of depreciation of old assets. But the US, which was already a rich country in 1970, has much bigger old assets, so its depreciation rate is high. On a gross basis, the US savings rate is 24.7 per cent of GDP, compared with 30.7 per cent for Germany and 35.8 per cent for Japan. While these differences are significant, they are less than half the differences for net savings.

Capital Productivity, McKinsey Global Institute, Washington DC, US.

Donors cut off assistance after Kaunda is barred from election

West halts aid to 'undemocratic' Zambia

By Michael Holman, Africa Editor, in London

Western donors have suspended aid to Zambia in protest over a constitutional amendment which prevents former president Kenneth Kaunda from standing in elections due later this year.

Aid flows of up to \$1bn a year have been central to the economic reform programme introduced by President Frederick Chiluba when he came to power in 1991, defeating Mr Kaunda in the country's first multi-party election for more than 20 years.

Norway froze its aid programme worth up to \$40m a year earlier this week, followed by the US, while Britain, Sweden and other leading donor governments are expected to follow suit.

"The situation in Zambia is very sad. We are particularly concerned, with other donors, about the recent measures to restrain the eligibility of candidates for the presidency," Britain's Overseas Development Minister Mrs Lynda Chalker said in the Zimbabwean capital of Harare on Wednesday night.

Britain has so far withheld half of a \$20m balance of payments support for violations of good governance.

Donors have become increasingly concerned by growing corruption, delays in the privatisation of the state-owned Zambia Consolidated Copper Mines (ZCCM), and what they see as the autocratic style of Mr Chiluba.

Most observers are sceptical about Mr Kaunda's election prospects for his years in office were marked by a steady decline in the state-dominated economy.

But the ruling Movement for a Multiparty Democracy

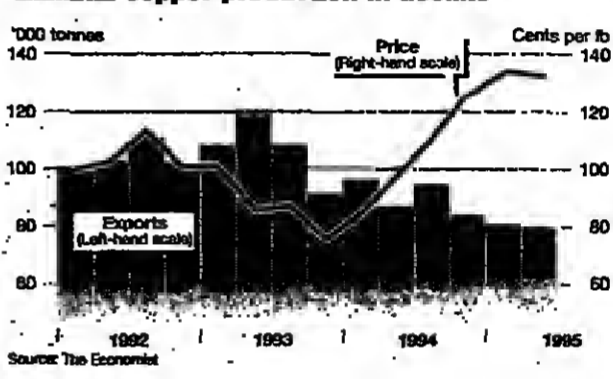


Chiluba: Aid flows of up to \$1bn a year have been central to his economic reform programme



Kaunda: excluded

Zambia: copper production in decline



Source: The Economist

(MMD) has tried a combination of harassment and legal measures to prevent Mr Kaunda from running for office in elections due to be held in October.

The recently introduced constitutional amendment bars second-generation Zambians and ex-presidents who ruled for at least two terms from

running for president. Mr Kaunda is excluded on both counts, because he was born in Zambia of Malawian parents, and led Zambia from

independence in 1964 until his overwhelming defeat by Mr Chiluba.

Doors have called for a referendum or constituent assembly of all parties and interest groups to ratify the changes.

A freeze or reduction of aid will be a severe blow to the already struggling economy. Production of copper, which accounts for more than 95 per cent of export earnings, has been steadily falling, only partially compensated by a rise in world prices.

Most industry analysts believe that only privatisation of the mines, nationalised by Mr Kaunda in the early 1970s, can revive production.

Yesterday, Mr Chiluba appealed to donors to maintain aid. "This new constitution is the will of the Zambian people. It is what they wanted and all I did was concede to their wishes," he said.

Nine opposition politicians, including senior Kaunda aides, were charged on Tuesday with treason and plotting to overthrow the government.

"Chiluba is not a democrat at all. He is bending the rules to suit himself and his party. He is creating ground for unrest in this country because Zambians will neither accept nor respect his illegal constitution," Mr Kaunda said.

The arrested members of the former president's United National Independence party are also accused of masterminding a shadowy group called "Black Mamba", which the government blames for recent bomb blasts.

Mr Kaunda said: "This thing is Chiluba's creation. It was created by his police and security forces to discredit us, to undermine us and democracy... but the people and donors have seen through his dirty and cheap trick."

Rebuilding houses - but not trust - in south Lebanon

Roula Khalaf visits villages with the bombardment by Israel behind them and who knows what before them

In the centre of Qulailah, a small town in south Lebanon nestled among the orange groves, nothing remains of the house where three brothers from the Islamic Hizbollah militia lived. The nearby three-storey house of Mr Qasem Saleh was also reduced to rubble during the 17 days of Israeli raids in April aimed at destroying Hizbollah.

All Mr Saleh can think of today is how to rebuild and where to find the money. The Lebanese government, which started paying housing compensation last week, has given him \$6,000.

"I need at least double that amount," he said. "So I will have to build one floor at a time and work to save for the rest."

Across towns in south Lebanon hit by the Israeli bombardments there is a fear that hostilities will be rekindled, especially now that a hardline Likud-led government has been voted into power in Israel. They have no say in whether or when Israel and Hizbollah might decide to break the ceasefire agreement that ended the latest war.

As these things are beyond their control, people have turned their attention to the more immediate task of rebuilding a roof over their heads, as they have done many times before, and getting on with their daily lives.

"We know that as long as Israel occupies our land there will be no peace here," said Mr Ali Abu Khalil, Qulailah's mayor, referring to Israel's self-proclaimed security zone in south Lebanon. "Where do we live in the meantime, in tents?"

Barely a month after the end of Israel's Grapes of Wrath operation, thanks to efforts by the Lebanese government, Hiz-

bollah and the United Nations Interim Force in Lebanon, the holes in the roads made by Israeli bombs have been filled and the construction workers are back in business. Within a mere 72 hours of the ceasefire agreement that ended the offensive, the government had repaired the area's electricity network.

"We are so used to this, they destroy and we rebuild," said Mr Mohamed Zhami. Like hundreds of his fellow Lebanese, Mr Zhami is spending his mornings at the Council for the South - the government

It is a region that has paid a high price in human and physical loss over the past 20 years and has long felt neglected by Beirut

South was asked last week to begin disbursing funds. But, in an effort to prevent southerners from taking the money and running off to rebuild elsewhere, the government has decided to release a little bit at a time, forcing people to rebuild in stages.

In a region that has paid a high price in human and physical loss over the past 20 years and long felt neglected by the authorities in Beirut, this scheme is winning the government few friends. Instead, it will help boost Hizbollah's profile, already inflated by the



resistance it puts up to Israeli occupation.

While army officers surveyed the damage last month, Construction Jihad, Hizbollah's construction company, was already hard at work, fixing doors, windows and walls with funds received from Iran. To those whose houses were more heavily damaged, Construction Jihad doled out immediate cash, close to the amounts people are now receiving from the government.

Standing before the graves of the victims just outside the base, surrounded by the black banners of Hizbollah, Mrs Zainab Khalil Bakri, her head covered with a white scarf, has come to mourn her sister-in-law and four nephews. She opens her handbag to show an empty purse as proof that she cannot afford to travel the few kilometres to the southern city of Tyre to complain about the inadequacy of the compensation she received for house repairs.

Across the street, Nadia (who refuses to give her family name), with bleached blond hair and heavy make-up, is serving customers coffee from an espresso machine. With money her family earned in Zaire, Nadia decided after the massacre to go ahead with plans to open a cafe to cater to the UN base. A wise business decision as it turned out. Every weekend, her cafe is packed with the crowds who drive down to the south to pay tribute to the victims of Qana.

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NEWS: UK

Interest rates down by 1/4 point to 5 3/4%

By Robert Chote and Gillian Tett

Mr Kenneth Clarke, chancellor of the exchequer, yesterday announced an unexpected quarter-point cut in interest rates amid fears about the impact of the strong pound on Britain's struggling manufacturers.

The reduction was the fourth in seven months and took bank base rates from 5 to 5.25 per cent, their lowest level for a year and a half. Halifax Building Society and the Bradford & Bingley society cut their mortgage rates, but most lenders left home loan rates unchanged.

With economic growth already expected to accelerate later this year, some City economists argued that the rate cut must have been motivated by political considerations. But the chancellor dismissed as "nonsense" the idea that he was preparing the ground for an autumn general election.

Mr Clarke said the cut was sensible because pressures on industry's costs were easing and the economy was growing at less than its long-term trend rate. He noted that raw material costs had fallen since the autumn and that pay settlements had declined last month.

Recent surveys of companies and the increase in the exchange rate, suggest that cost pressures are likely to remain subdued. He added that the slowdown could prompt job-shedding.

"In this context the recent strength of sterling has emerged as the factor which tipped the balance in favour of this small adjustment," Ms Barker said. The pound has risen by about 4 per cent since the turn of the year, making British goods less competitive in world markets.

The "six wise people" who provide the chancellor with independent advice on the economy also argued in a report yesterday that activity in the economy was about 2 per cent below that consistent with stable inflation.

As a result most of them believe the economy could grow by 3 per cent or more a year over the next three to five years without pushing inflation up.

The Bank of England refused to say whether Mr Eddie George, the governor, had agreed with the chancellor's decision to cut rates. The unusually long meeting between the two to discuss rates on Wednesday raised suspicions of a disagreement, but most economists argued that Mr George was unlikely to have put up a big fight.

"The situation at present is sufficiently ambiguous for the chancellor to have pressed successfully for a rate cut without this causing too much alarm with the governor," said Mr David Walton, economist at Goldman Sachs. "As signs of strengthening consumer demand become more evident in coming months, the Bank will be increasingly reluctant to support further easing."

Consumer spending on services is already growing strongly, but growth in the economy as a whole has been kept below trend by stagnant manufacturing. Factory output has fallen for two quarters running, with companies reporting that stocks of unsold goods are still at a five-year high.

Ms Kate Barker, chief economist at the Confederation of British Industry, said the cut was justified as the CBI had become more alarmed by the slowdown in manufacturing in recent weeks. She is no longer confident that European export markets will pick up in the second half of the year and fears that the slowdown could prompt job-shedding.

"In this context the recent strength of sterling has emerged as the factor which tipped the balance in favour of this small adjustment," Ms Barker said. The pound has risen by about 4 per cent since the turn of the year, making British goods less competitive in world markets.

The pound fell by 0.3 points to 86.1 per cent of its 1990 value.

Lex, Page 14

'Punishment' by baseball bat replaces gun rule in N Ireland

By John Murray Brown in Dublin

The main message from Northern Ireland in the past 18 months has been one of peace. But behind political efforts to banish gun law from the region a variety of other weapons including cudgels, baseball bats and even electric drills is being put to brutal use by paramilitaries on both sides of the religious divide.

As the region prepares for the start on Monday of all-party talks about its future, the controversy over paramilitary "punishment beatings" has been overshadowed by the bigger issue of the Irish Republican Army's refusal to reinstate its ceasefire. The British and Irish governments insist that reinstatement is an essential requirement if Sinn Féin, the IRA's political wing, is to join the talks.

Since the IRA declared a resumption of hostilities in February, with a bomb in London's docklands, there have been no armed incidents in Northern Ireland. The anti-nationalist "loyalist" groups have kept to their ceasefire throughout.

But community workers say a continuing dispute over the role of the police in republican and "loyalist" areas has created a vacuum of authority which the paramilitaries are exploiting. Many Roman Catholics and Protestants give tacit acquiescence to the instant justice dealt out by terrorists.

The police report a total of 380 so-called punishment beatings, including 240 in republican areas, between September 1994, when the IRA called its ceasefire, and June 4 this year. Republican violence tends to be targeted at those in the nationalist community involved in so-called "anti-social behaviour", which includes joy-riding, drug dealing or theft. In Protestant "loyalist" areas the paramilitaries use beatings to discipline their own ranks.

"There is no doubt that some communities believe that punishment beatings are an acceptable way to deal with adolescent crime, horrific as that may sound," says Mrs Queen's Gadd, Northern Ireland's chief probation officer.

"Many people who may have reservations about involving the paramilitaries nonetheless have given some sort of consent to their policing role," says Professor John Brewer, professor of sociology at Queen's University in Belfast, who has just concluded a 6-month research project on attitudes to crime in republican and "loyalist" areas. The Royal Ulster Constabulary, the Northern Ireland police force, has found it hard to win acceptance as community police officers in hardline housing estates where they formerly led the counter-terrorist effort.



A nationalist wall painting in the early 90s: paramilitaries of both camps usually now use weapons other than guns

Calendar of brutality

- Jan 12 Belfast: Man of 27, found suffering from serious head injuries with one leg and both arms broken. Londonderry Three men earlier, one and beat 20-year-old man with baseball bat.
- Feb 1 Coleraine: Five men, one attack, husband and wife in their home with baseball bats and hammer.
- Feb 6 Belfast: Man of 18 beaten by gang with iron bars. Londonderry: Man of 22 hit with club by masked men who broke into house.
- Feb 24 Belfast: Man of 20 suffers multiple fractures in attack by four men, with crowbar and heavy hammer. 15-year-old attacked by eight or more masked men in family home with his mother's head, capless men of 18 found gagged with adhesive tape and tied to a washing line pole.
- Mar 5 Belfast: Man of 25 hit with broken brick and leg after attack with hammer by masked men in bar.
- Mar 21 Belfast: Four men beaten in apartment. Each man taken to a separate room, bound, questioned and beaten.
- Mar 25 Belfast: A teenager, with spleen driven into his arm and leg, suffered some of the worst injuries ever seen in a punishment attack, said surgeon treating him. He was handcuffed in a garden and had his mouth taped to stifle his screams.
- Mar 30 Belfast: Man shot after being abducted from club.
- Apr 3 Belfast: Two teenagers, tied to lamp posts, beaten and covered in paint; elsewhere a 17-year-old was found tied up with both legs and wrists broken; a 16-year-old with both hands injured was bound to a post a short distance away.
- May 17 Londonderry: Gang with baseball bats beat man of 23 after breaking into his home.
- May 27 Londonderry: Two youths are made to watch an 18-year-old being beaten by at least seven men with iron bars. Coleraine: Fat, timbered 16-year-old carrying basketball, being shovelled with nails, breast hit; home of a 22-year-old man and leave him with broken arm and ribs.

International calls to be cheaper

The government yesterday stripped the last vestiges of monopoly power from British Telecommunications and Mercury Communications, the "duopoly" of telephone operators which controlled the domestic telephone business between 1984 and 1991. It announced the end of restrictions which prevent competing operators from owning and operating their own circuits for international calls. At present, a rival operator may offer an agreed rate for each call carried.

The end of the duopoly will mean sharp falls in the cost of international calls. Rivals to BT and Mercury will have the right to construct and use their own infrastructure including subsea cables and satellites and conclude their own contracts with operators abroad.

Alan Cane, Industrial Staff

Peugeot workers protest

Car workers at the Coventry plant of Peugeot, the French motor group, staged two two-hour strikes last night and this morning against the company's decision to close its UK operations during August to synchronise with its French business, which traditionally takes all that month in holiday. The workers voted by 1,007 to 499 for industrial action in a secret ballot. Peugeot said it was imposing the shutdown on its UK employees and that they had been moving towards a complete closure in August by stages over the past five years.

Robert Taylor, Employment Editor

Railfreight goes on sale

Railfreight Distribution, the state rail network's last remaining freight business, is to be sold to the private sector with the promise that several hundred millions of pounds of debt will be written off to smooth the sale. The company, which runs long-distance freight trains from Britain through the Channel tunnel to Italy, Spain, France and Germany, may also receive an additional dollar in the form of a government commitment to pay its access charges to use the Channel tunnel.

Charles Batchelor, Transport Correspondent

Price curbs on gas

Ofgas, the gas industry regulator, unveiled new price controls for British Gas's supply business that should cut household gas bills by a further 23 (£12.20) next year. The pricing review of British Gas Energy, the arm which supplies gas to 18.5m households, followed last month's controversial review of Transco, the pipeline business. That review proposed even larger cuts in gas bills and prompted a big slide in British Gas' share price. The latest Ofgas proposals mean a further shift in the balance of power between British Gas shareholders and its customers in favour of the latter. If both sets of proposals are implemented following a consultation period, the average household bill will fall next year by 23 per cent, or about 13 per cent after the end of the decade. British Gas described the new price controls as a "further and immediate squeeze on profits".

Patrick Harrison, London

Showa to invest in Wales

Showa Corporation, one of Japan's largest manufacturers of automotive components, is to set up a £10m (\$15.4m) plant in south Wales to produce parts for European carmakers. It is the 50th Japanese company to set up manufacturing or service operations in Wales. Mr David Rowe-Beddoe, chairman of the Welsh Development Agency, described it as "a milestone in a spectacular success story for Wales." The project, grant-aided by the British government's Welsh Office, will create 200 jobs in Cynon Valley, an area of high male unemployment. Showa is negotiating to buy a 4ha site from the WDA where the plant will make power steering and suspension system components. It will be Showa's first European plant to manufacture car parts, although it has a factory in Spain which produces shock absorbers for motor cycles. Spain and the West Midlands were considered as possible locations for the new facility. About 16,000 people in Wales work for Japanese-owned companies. Mr Barry Hartop, the WDA's chief executive, said: "Wales now accommodates nearly 16 per cent of all Japanese manufacturing and assembly operations in Britain."

Roland Adburgham, Cardiff

Kvaerner claim denied

VAI Industries, the Austrian civil engineering company, yesterday denied claims by Kvaerner that it was involved in the alleged theft of thousands of documents from one of the Norwegian group's UK subsidiaries. Kvaerner, which earlier this year paid \$200m (£1.6m) for Traylor House, claims that VAI illegally obtained confidential technical and contractual information from Davy International, Traylor's metals engineering arm. VAI made clear that it would fight the legal action vigorously. The company said there was no basis for claims of industrial espionage.

Tim Burt, Financial Staff

Car sales recover

Private buyers returned to car showrooms in significant numbers during May for the first time in more than a year. The influx boosted the number of cars shown by 25 per cent, a proportion of "nearly-new" cars shown by many consumers might prove to be permanent. Figures from the Society of Motor Manufacturers and Traders showed that the number of new cars registered to private buyers last month rose by 13.5 per cent compared to May last year. These private registrations accounted for 44 per cent of last month's total market of 165,656 new cars, itself an 8.5 per cent rise on the 152,656 registered last May. In contrast, the volume of cars registered last month to fleets and businesses rose by only 5 per cent year on year.

John Griffiths, Industrial Staff

US company to open plant

Harman International Industries of the US is to invest \$3m (\$4.6m) in a plant at Redruth in the far south-west of England for manufacturing professional loudspeakers. The project, which will receive nearly £1m in government grant, will create 125 jobs and occupy a vacant factory. Harman already has a manufacturing operation in south-west England, where its subsidiary Allen & Heath makes sound-mixing consoles. Competition for the new plant came from other parts of the UK, and from Madeira and Poland.

Roland Adburgham

Optimism grows on 'mad cow' deal

Financial Times Reporters

Mr John Major, the British prime minister, said yesterday Britain hoped to reach a deal with the European Union over the beef export ban within the next 10 days, allowing a lifting of the non-cooperation policy before the EU summit in Florence on June 20.

Mr Major's determination is shared by Italy, which in its capacity as acting president of the EU wants to head off the threat of the Florence summit being ruined by the row.

British and Italian officials recognise they have set a tight timetable. But Mr Malcolm Rifkind, the British foreign secretary, and Mr Douglas Hogg, the agriculture minister, left Rome yesterday hopeful that a crucial "missing point" had been reached in the "mad cow" affair. The breakthrough came on Wednesday during talks in Rome with Mr Lamberto Dini, the Italian foreign minister.

In Paris Mr Rifkind said he was also "very encouraged" by President Jacques Chirac's support "for a staged solution to the crisis". Aides of Mr Major said in London that



Jacques Chirac (right) discussed the beef crisis yesterday in Paris with UK foreign secretary Malcolm Rifkind

there was a "realistic" prospect of a deal at a meeting of EU foreign ministers on June 17. The UK might be prepared to accept a framework agreement for a step-by-step lifting of the beef ban without demanding that the detail of implementation is agreed at the same time.

One senior British official admitted there might only be a "vague" understanding on how the total ban might eventually be lifted.

However, there are tensions in the British government over how much detail the framework should contain. Mr Rifkind is pressing for a deal in

which EU countries agree the measures Britain must take to trigger an automatic lifting of elements of the ban.

"The UK wants as much detail as partners will sign up to. The more it can get the less likelihood there is of it unraveling afterwards," said a London-based UK official. But officials also acknowledged Britain might have to accept less detail than it wants. And in Brussels officials said the deadline would never be met if Britain insisted on details. One said a deal was "likely if it is more political than technical. That way it can be wrapped up

US regulators attack 'scare' campaign

By Ralph Atkins, Insurance Correspondent

US difficulties faced by Lloyd's of London worsened significantly yesterday when it was forced into a row with state securities regulators.

Lloyd's was forced onto the defence when the regulators bitterly attacked the insurance market for "working overtime" to "secure everyone" about the consequences of legal action against Lloyd's over alleged breaches of state securities laws.

The dispute is likely to heighten concern that the Lloyd's recovery plan, due to

be implemented this summer, could yet be undermined by legal action that froze Lloyd's assets held in the US.

Securities regulators in 11 states have filed actions

LLOYD'S OF LONDON

LLOYD'S OF LONDON, usually alleging that investment in Lloyd's was mis-sold, although one action in California has been dismissed.

The North American Securities Administrators Association, representing the securities regulators, accused Lloyd's

of spreading "myths" about its importance within the insurance industry. Citing a report by a California insurance expert, Mr Mark Griffin, president-elect of Nasaa, said: "Lloyd's is far less of a pillar than it pretends to be."

According to the study, freezing Lloyd's assets held in US bank accounts and the funds of 2,000 US Names would "have absolutely no effect upon the payment of claims to... anyone insured or reinsured by a Lloyd's policy anywhere in the world."

Lloyd's reacted angrily, saying that issuing the "highly distorted" report "appears to

be a purely political attempt to indulge the interests of a small minority of Names in the US who are attempting to avoid meeting their obligations."

A Nasaa spokesman said the attack was an attempt to counter the public relations efforts expended by Lloyd's. "It is a poptan against their artillery," he said.

The attack does not affect a deal agreed in April under which the association would recommend that talks should be continued between Lloyd's and US Names about the market's recovery plan. This includes an out-of-court offer to loss-making Names.

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Reduced global role predicted for Britain

By Robert Peston, Political Editor

The UK will be ousted from the seven biggest world economies in the next 20 years and its weight in international organisations reduced, according to a leaked Treasury document.

The pessimistic prediction comes ahead of next week's publication of a UK government competitiveness paper which will highlight the skills gap between the UK and competitor economies.

The Treasury paper, drawn up by officials to help the most powerful government department remodel itself for the next millennium, says that "if recent growth trends continue" China would become the "single largest nation" in 2015.

It predicts India in fourth place, Brazil sixth and Indonesia seventh. While the US, Japan and Germany would remain in the top seven, France, the UK and Italy would slip into the second division.

The Treasury papers say that the UK's role in international organisations is the G7, the International Monetary Fund, the OECD, the EBRD and World Trade Organisation - will "change as we move down the ranking".

The fast growing economies will demand "greater political power" in these organisations. A senior official said that Mr Kenneth Clarke, chancellor of the exchequer, was already a convert to this idea in the face of resistance from finance ministers of other G7 countries. "He has been pressing for these growing countries to have a political role", the official said.

Ikea chief's offshoot buys high-technology consultancy

By Peter Marsh in London

Europe, InterIkea, a foundation controlled by Mr Kamprad which owns the Ikea franchise and trademark, is to make available to Generics about \$5m (£7.6m) over the next five years to invest in new enterprises in areas such as telecommunications and biotechnology.

With top-up finance from other investment groups it is thought the cash could help provide start-up funds for up to 50 businesses, building on Generics' track record in helping establish such companies. Most of the businesses are likely to

be in the UK, with some in other parts of Europe including the former Soviet bloc.

The deal marks an attempt by Mr Kamprad, who rarely appears in public and has the reputation of a management guru, to channel some of his wealth into new enterprises which he believes will employ substantial numbers in the next century. The venture marks a new twist in the career of Generics' chairman Mr Gordon Edge, who set up the company in 1986 after starting the technology consulting division of PA

Management Consultants. Mr Edge will retain his role in Generics, which employs about 300 people and has annual income of about £16m, 80 per cent of it from outside the UK. Companies for which it does long-term research include Glaxo Wellcome, Zeneca, Volvo, Nissan, Fuji and the Japanese bank Sanwa.

Mr Edge said the venture provided an "amazing opportunity" for aiding investments in new technologies including telecommunications, new materials and biotechnology.

taking a controlling stake in Generics and providing cash for high-tech start-ups in a programme to be managed by Generics. InterIkea believed it was doing "something positive" with its money.

Mr Rylander said the deal was a vote of confidence in Mr Edge who he described as a "unique person who combines being a [scientist] professional and a businessman".

Ikea has more than 120 stores in 26 countries. Mr Kamprad set up the chain in the 1940s and retains a key role.

BUSINESSES FOR SALE

E.T.B.A. FINANCE Financial and Economic Services S.A. (formerly Greek Exports S.A.) ANNOUNCEMENT

OF A FOURTH INTERNATIONAL PUBLIC AUCTION FOR THE HIGHEST BIDDER FOR THE SALE OF THE ASSETS OF THE FOLLOWING COMPANIES:

- 1. PIRAIKI-PATRAIKI PATRAS SPINNING & WEAVING MILLS S.A.
2. PIRAIKI-PATRAIKI CHALKIDA WEAVING MILL S.A.
3. PIRAIKI-PATRAIKI COTTON MANUFACTURING COMPANY S.A.

ETBA Finance Financial and Economic Services S.A. established in Athens in 1980, is a company in special liquidation...

ANNOUNCES

- 1. of the assets of a whole of PIRAIKI-PATRAIKI PATRAS SPINNING & WEAVING MILLS S.A.
2. of the assets of PIRAIKI-PATRAIKI CHALKIDA WEAVING MILL S.A.
3. of the assets of PIRAIKI-PATRAIKI COTTON MANUFACTURING COMPANY S.A.

ACTIVITY AND BRIEF DESCRIPTION OF EACH COMPANY

- 1. PIRAIKI-PATRAIKI PATRAS SPINNING AND WEAVING MILLS S.A. established in Patras, a large, vertical spinning and weaving unit...
2. PIRAIKI-PATRAIKI CHALKIDA WEAVING MILL S.A. established in Chalkida, engaged in the production of substandard cotton materials...
3. PIRAIKI-PATRAIKI COTTON MANUFACTURING COMPANY S.A. based in Athens, had the largest inventory in Greece...

TERMS OF THE ANNOUNCEMENT

- 1. The present Auction will be carried out in accordance with article 464 of Law 1892/1990...
2. Interested parties may obtain the detailed Offering Memorandum...
3. The Auction will be held in three lots...

Parties interested in participating in more than one Auction should submit separate offers to each respective lot...
5. The offers will be opened by the appropriate authority...
7. In order to ensure the sums on credit the buyer must deliver to the liquidator...
10. Detailed criteria for judging the offers for all the Auctions...

E.T.B.A. FINANCE Financial and Economic Services S.A. (former Greek Exports S.A.) ANNOUNCEMENT

OF A FIRST REPEAT INTERNATIONAL PUBLIC AUCTION FOR THE HIGHEST BIDDER FOR THE SALE OF THE TOTAL ASSETS OF INTERNATIONAL TOURIST INVESTMENTS S.A. NOW UNDER SPECIAL LIQUIDATION

INTERNATIONAL TOURIST INVESTMENTS S.A. today owns and operates the Hippokratous Melathron hotel group...

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1. The auction will be carried out in accordance with the provision of article 464 of Law 1892/1990...
2. Interested parties may obtain the detailed Offering Memorandum...

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Grant Thornton The U.K. member firm of Grant Thornton International...

THE PATERSON PHOTAX GROUP LIMITED (In Administrative Receivership)

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Photax
Benbo
Courtney
ACU chemicals (eg ACUFIX)
Photocolor
Interfit

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Interested parties should telephone: Steve Hancock or Tom Crossland of Price Waterhouse, St Albans.

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D.I.Y. HARDWARE RETAILER

The Joint Administrative Receivers offer for sale the business and assets of 1st Stop D.I.Y. Limited.

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116 employees.

For further information please contact Andrew Menzies or Neil Tombs Centre City Tower, 7 Hill Street, Birmingham B15 4JF

ROBSON RHODES RSM Chartered Accountants Robson Rhodes is authorized by the Institute of Chartered Accountants in England and Wales to carry on investment business

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LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION COMPANIES COURT No. 102922 of 1996

IN THE MATTER OF: SALAMANDER PROPERTY GROUP LIMITED and THE COMPANIES ACT 1985 NOTICE IS HEREBY GIVEN that a Petition presented to Her Majesty's High Court of Justice on the 24th day of May 1996 for the confirmation of the cancellation of the capital redemption reserve of the Company...

CONTRACTS & TENDERS



Request for Information

Inkombank, ranked as the fifth largest bank in Russia by assets, wishes to select an automated banking system to cover all retail and wholesale banking operations. The system must operate under UNIX and be based on Client-Server Architecture.

To receive the RFI, please register your interest by sending a brief technical and functional overview of your system by fax to Vladimir Kulak on +7 502 224 8111. Deadline for Registration: 30.6.96

HRVATSKA ELEKTROPRIVREDA D.O. (CROATIAN NATIONAL ELECTRICITY) Ulica grada Vukovara 37 10000 Zagreb CROATIA

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HRVATSKA ELEKTROPRIVREDA D.D. (hereinafter referred to as the "purchaser") informs all the interested bidders that it invites a public international tender for the collecting of bids for the services of previous works:

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The bid documentation can be taken over at the following address: HRVATSKA ELEKTROPRIVREDA D.D. Dinskeja za proizvodnju Sektor za termoelektrane Mlavecka 15 A 10000 Zagreb Hrvatska

The term for the submission of bids is July 1, 1996. The bids sent by post will be considered exclusively if they arrive at the mentioned address by this term.

The Purchaser will open the received bids on July 2, 1996 beginning at 10.00 hours at the address: HRVATSKA ELEKTROPRIVREDA D.D. Dinskeja za proizvodnju Sektor za termoelektrane Mlavecka 15 A 10000 Zagreb Hrvatska

Authorized representatives of bidders can be present at the opening of bids.

CONTRACTS & TENDERS

Disposal of Non-Core Business ROTATIONAL MOULDING COMPANY Following internal re-organisation we have decided to dispose of our Rotational Moulding Company.

LONDON BOROUGH OF CAMDEN QUOTATION FOR LEASING FACILITY

The London Borough of Camden invites suitably experienced firms to apply for inclusion on a Select List of leasing companies/brokers. Successful firms included on the Select List may be invited to quote for a £1m operating lease facility (vehicles and equipment) with a drawdown in March 1997.

Applicants will be required to complete a questionnaire which should be returned by 21st June 1996 and can be obtained from:

Sandra Kinley Chief Executive's, Financial Services London Borough of Camden Town Hall, Argyle Street London WC1H 8NG

Tel: 0171 860 5691 Fax: 0171 860 5699



MANAGEMENT

SmithKline Beecham, the Anglo-US group, faced some uncomfortable truths when it benchmarked the worldwide marketing activities of its consumer healthcare division against comparable sections of Procter & Gamble, Mars and Unilever.

An internal booklet to staff reported that the division, SBCH, was seen as "flexible, instinctive and populated by talented individuals with excellent trading skills". Then came the unflattering picture: "However, SBCH tends to have a degree of risk-aversion, is not innovative enough and lacks a full understanding of its consumers".

Martin Dreger, an SBCH vice-president based in Germany, confirms the findings. "We have often been content with little line extensions of existing brands rather than going for big launches".

Further studies revealed greatly differing standards across the world in marketing practice and scientific understanding of the division's products - non-prescription painkillers, cough and cold remedies and dental care products.

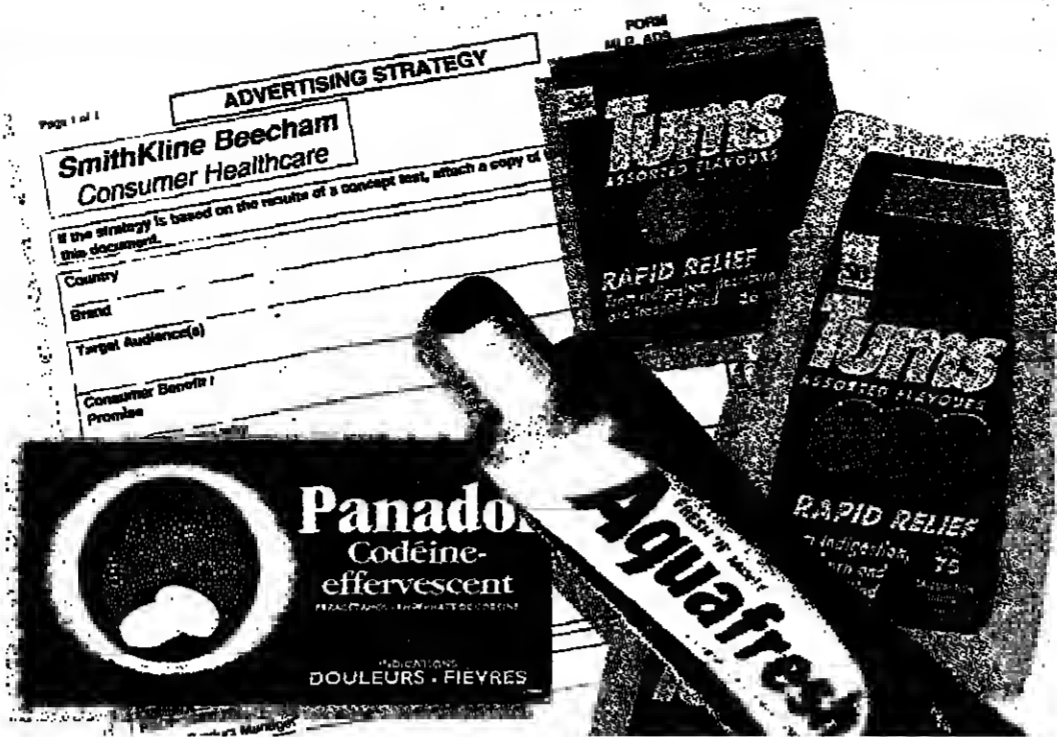
The result of the stocktaking has been the development of a global training programme for marketing staff of a quality and scale certain to attract the attention of competitors. The Marketing Leadership programme aims to raise standards and provide a common language for SBCH's 800 marketing staff and suppliers across the globe.

Strategic firm Oxford Corporate Consultants conducted the benchmarking, both externally and within the company, to identify best practice and weaker areas. There followed extended testing of training materials drawn up by the London-based Empowerment Group, another group of consultants, in markets as diverse as Brazil, Poland and Singapore. "We had to test whether the same approaches could work, irrespective of culture and language," says Paul Miller, Empowerment's managing director.

The first three modules of the programme were launched last year between May and November at 21 conferences around the globe. They cover advertising, market research and new product development and are contained in ringbinders featuring case studies from the experience of both SBCH and other companies.

The advertising file, for example, starts with basic principles such as: "Put increased emphasis on getting top-quality strategies and briefs prior to the start of advertising development," and goes on to detail the nine steps seen as best practice in the creative development process - from how to check budgets and develop realistic timetables to managing the production of advertising and evaluating effectiveness.

Throughout the modules there are checklists, timetables and sam-



Diane Summers on a worldwide programme to cure ills in SmithKline Beecham's consumer healthcare division

Global training

ple forms. For example advertising material contains forms designed to focus findings on consumer needs, advertising strategy, lead times and creative brief. The company is hoping the forms, which are also being provided on computer, will be in standard use across the world.

An unusual feature is that some suppliers - for example worldwide agencies Ogilvy & Mather and Grey - have been included in the training. Dreger, who is leading the initiative, says: "If we introduce new advertising processes, we have to be sure all our partners know about them and also use them."

Miller, who has worked with the company on other projects, describes SmithKline Beecham as "very much a consensus type of organisation. They don't force people to do things, but try to involve them."

A tight global grip on marketing is seen as unrealistic, but, if common processes governing, for example, brand planning and advertising are introduced, "then at least you've got the ability to influence the way people work," he says.

Reaction from marketing staff has depended partly on the sophistica-

tion of the market. Less developed countries had a strong appetite for the material, reports Miller, while countries such as the US and UK "felt they were pretty good already". Some people said the material was "not rocket science" but, "once they'd played it down, they then felt able to start using it". Further modules, for brand planning, brand development, and "opportunity identification" - generating and selecting new ideas - are being distributed worldwide.

This time, smaller workshops have replaced the large conferences of up to 100 people. Two further modules are planned.

As a separate strand of training under the programme, efforts are being made to improve scientific understanding of the division's work. SBCH markets products available over the counter, in contrast to other parts of SmithKline Beecham which specialise in prescription drugs and healthcare services.

However, SBCH puts emphasis on the scientific basis of its products and, about three years ago, sold off

what were seen to be purely toiletry brands to concentrate on the scientific area.

The new focus left some marketing staff, who had been more at home with toiletries, developing and promoting products of which they had little scientific understanding. Science training modules cover areas such as analgesics and gastro-intestinal complaints and treatments.

The analgesic material, for example, covers the science of how pain is felt, how it can be described, common types of pain, and brands of pain-killing products.

The approach is more academic than with the marketing material and individuals study at their own pace under the supervision of country "coaches" rather than in workshops or conferences.

Overall, Miller believes the results of the Marketing Leadership programme are already beginning to show. "It's still a mixed picture, but they've achieved a huge amount. Consistent strategy and advertising brief forms are now being used worldwide, and I know people are putting more planning time into projects."

JOHN KAY

Clear thinking muddled by competitiveness



Competitiveness is much in vogue. Last week saw the publication of not one, but two league tables of international competitiveness. Soon the government will release its own annual publication on Britain's competitiveness. The Labour party has its own emphasis on the subject. And yet one of America's leading trade economists, Paul Krugman, recently argued the term national competitiveness means nothing.

Competitiveness is a characteristic of firms, not of countries. The basic problem is that the word competitiveness is too vague to mean anything except what the person who uses it wants it to mean at the time. For some people, competitiveness is the economic analogue of military strength. There is a coming battle for commercial supremacy and our competitiveness is a measure of our readiness for the fray.

This is the world which Sir James Goldsmith inhabits and it seems, at times, that Michael Heseltine lives there too. It is easy to see why this approach, which implies an economic requirement for strong leadership in times of peace akin to the military requirement for strong leadership in times of war, is popular with politicians and would-be politicians. It is also a concept of competitiveness which Krugman is right to attack.

The analogy between business and war is profoundly misleading, both for individual firms and for national economies. It is misleading because success in war depends on the destruction of one's enemy - a process in which one side wins by destroying the other, while international commerce is a process of mutual benefit. World trade is not - as Sir James asserts - a system in which foreigners try to trick us into giving them our money. It is a process in which we buy things abroad because we can benefit from the fact that they are cheaper there than elsewhere.

Economic success depends on successful differentiation, not on size. Six of the top 10 countries in

each of the two competing competitiveness leagues have less than 10m inhabitants: Switzerland and Norway demonstrate that you need not be big to be rich and Singapore and Hong Kong that you do not need to be big to grow rapidly. These martial misunderstandings lead to wholly inappropriate policies - the creation of national champions, the desire to create large and autarkic trade blocs, general protectionism and support for industries of supposed strategic importance.

The creators of these league tables seem to have something quite different in mind. For the IMD team, there is something mystical about competitiveness: "World competitiveness can be seen as a series of layers, with one layer leading to another and more fundamental layer." They tell us that it is becoming more volatile, with probability replacing the certainties of Newtonian physics. Yet after all this waffle their definition is quite precise: "Competitiveness is the ability of a country to create added value and thus increase national wealth." The only problem with this definition is that the ability of a country to create added value and thus increase national wealth is already very well and carefully measured by official statisticians, and league tables of national income are published by many international bodies. These measurements can be improved in various ways - for example by measuring environmental value added - but it is unlikely these would change the rankings very much, or the identities of the countries which usually come at the top - Switzerland, Norway, Germany.

Now although these countries are rich, they are by no means the fastest-growing in the world. And what the other team claiming to measure competitiveness has looked at is not the level of national output but its rate of change. For the World Economic Forum, competitiveness is the ability of a country to achieve sustained high rates of growth in GDP per head. But this different definition faces the same problem. If competitiveness is the ability to achieve sustained eco-

nomie growth, it would be easier to look at how successful countries are in achieving high rates of economic growth. And there are compilations of international economic statistics that do that.

To find out what these teams really mean by competitiveness, we have to look at what they actually do rather than at what they say they do. Both the so-called indices of competitiveness are averages of a large variety of social and economic indicators. Some of these indicators are subjective, like the openness of a country's culture to foreign influences (assumed, whatever British tabloid newspapers say, to be good). Some are objective, like the education levels. Many, like the share of government in the economy (assumed bad), openness to international trade (assumed good), and respect for the rule of law (assumed good), are indicators of government policy.

When it comes down to it, these indices of competitiveness are largely measures of whether the governments of the countries involved have adopted policies of which the authors of the survey with publishing indicators of that. But it is misleading rather than helpful to call it competitiveness. And it is not obvious why the opinions of the researchers of IMD or the World Economic Forum about what constitutes good government should be worth more than yours or mine. Not everyone would put Singapore and Hong Kong at the top of their lists.

We need more research on what it is that makes countries rich and what makes them grow rapidly - the kind of research which is undertaken by some other economists like Robert Barro. And we need to understand better what contributes to the creation and exploitation of national competitive advantages - and that in analysing national competitive advantages of firms, we need to focus on the factors that differentiate successful countries rather than the ones they have in common. But we would do better to stop talking about competitiveness. It seems only to get in the way of clear thinking.

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THE PROPERTY MARKET

Germany feels gravity's grip

The collapse in 1994 of Mr Jurgen Schneider's property empire produced a wave of concern that the German real estate market would follow the UK, France, Spain and Sweden into serious trouble.

These fears proved misplaced. The German economy recovered faster than predicted and, importantly, demand for property from investors remained strong.

Yet Germany is now sliding back into recession. The economy has experienced two consecutive quarters of negative growth and insolvencies are on a rising trend. Office rents are falling in most German cities.

The latest survey of banks, investors and developers by DTZ Zadelhoff, the German property agent, found that 80 per cent thought conditions in the office market were negative or very negative.

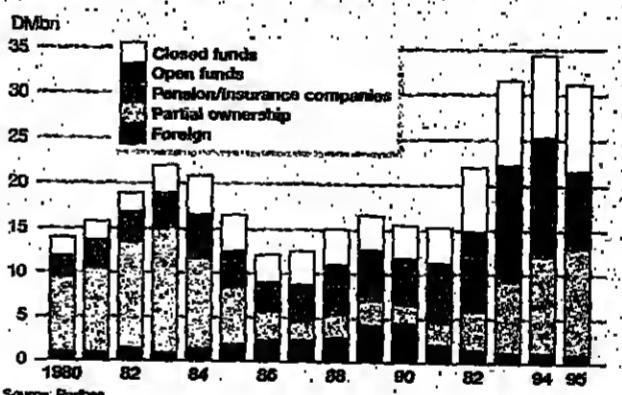
So will investors continue to support the market by pouring savings into property?

Unlike the UK or the Netherlands, Germany does not have a widespread system of funded pension schemes. Savings find their way into property through three distinct routes: open-ended funds, closed-ended funds, and partial ownership structures, a form of direct investment.

International attention has focused on the open-ended funds, which are large and highly visible entities. DEGI, the biggest fund, is probably Europe's largest specialist property investor.

Simon London asks if the flow of investment will continue

Money into German property



Source: Paribas

Closed-ended funds have tended to escape the limelight. These are generally smaller private funds raised by developers and banks, often to finance individual projects.

A recent research report by Paribas Capital Markets, the investment bank, estimated that closed funds have a total value of about DM90bn (\$90bn), making them half as big again as their open-ended counterparts.

As the chart shows, the big inflows of savings into closed funds have come in the last four years, following the reunification of eastern and western Germany.

Tax-breaks to encourage investment in the east meant

that investors could, in theory, achieve substantially higher returns by investing in property than in equities or bonds.

Promoters of closed funds were quick to provide investors with a route to take advantage of these incentives.

There is little doubt that many investors will be disappointed by the returns they have earned on this capital. Paribas estimates that the DM45bn raised since 1992 is

now worth perhaps DM27bn, thanks to a combination of falling property values and high management fees.

Moreover, tax relief for investing in the east will be substantially reduced at the end of this year and abolished at the end of 1998.

The unanswered question is whether losses in the east will sour the generally positive view of property which many German investors have historically held.

There must be a risk that this will happen. If it does, the capital inflows which allowed the German property market to defy gravity in the early 1990s could finally come to an end.

This need not imply a property crash. Germany has structural advantages over other European property markets.

Its federal constitution means that the property market is spread between a number of cities rather than dominated by the equivalent of London, Paris or Stockholm. This diversity has aided stability.

In addition, the system of Pfandbriefe - bonds issued by banks to finance their mortgage business - has encouraged relatively conservative lending criteria.

But it would be wrong to assume that Germany is immune from the fundamental problems of weak demand seen elsewhere in Europe. The combination of falling values and rising insolvencies, which caused pain in other countries, could yet arise in Germany.

Quintain aims for select group

At first sight it appears to be a strange moment for Quintain Estates and Development to announce its planned flotation on the London Stock Exchange. After a rally during April and early May, the property sector has once again fallen out of favour with investors, writes Simon London.

But the stock market is increasingly separating sheep from goats. While many companies are trading at discounts to net assets of 10 to 20 per cent, a select few have seen their shares rise to a premium.

These include companies such as Burford, Chelmsfield, Shaftesbury and TBI which

have proved that they can prosper in a flat or falling property market.

Quintain believes it can claim a place among this select group and hopes to issue shares at net asset value or even a small premium. Having increased net assets per share from 79p to 122p since 1992 - without the benefits of public company status - it has a credible claim to a place in the club.

Quintain's strategy, based on seeking out hidden value in the murky world of short leaseholds and reversionary properties, seems to work whether property values are rising or falling.

The company's founders -

Mr Adrian Wyatt, a former partner of Jones Lang Wootton, the chartered surveyors, and Mr Christopher Walls, a former equity analyst - believe that there is systematic mispricing of properties in these areas.

Using a combination of discounted cash flow techniques and traditional property skills, Quintain aims to buy undervalued income. It then tries to add value by striking deals with freeholders, tenants, or adjoining property owners.

The strategy is unusual but has so far delivered good returns.

With more than 120 companies in the property sector, most with a market value of

less than £100m, further flotations might seem perverse. In an ideal world private companies such as Quintain would reverse into or merge with some of the less dynamic quoted companies.

But experience shows that these deals are difficult to engineer. Quintain attempted to reverse into Orb Estates before discussions were terminated abruptly last month.

Disagreements over valuation, strategy and management mean that most deals have less than a 50-50 chance of coming to fruition. So long as this remains the case, ambitious private companies have little option but to float.

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ARTS

Finalists favour the community

Antony Thorncroft on the arts sponsorship shortlist for the FT/ABSAs Awards

The finalists are limbering up; their supporters are getting excited; and within a month we will know the result. No, it is not the European Championship; it is the FT/ABSAs Awards for Business & the Arts, which will be decided at Shakespeare's Globe on July 3.

This prize-giving for the companies that are reckoned to have exploited arts sponsorship most imaginatively and effectively are very important to the £20m arts sponsorship industry. There are still directors - and shareholders and employees - who doubt the value of arts sponsorship. Carrying off a prize - this year a glass sculpture by David Taylor - stills the sceptics.

The short list for the 1995-96 awards highlights the current state of arts sponsorship. In the past companies tried to buy a prize by giving a large sum of money to an established arts company. Now the likely winners are companies who use sponsorship as part of their marketing or community programme.

If the finalists for July 3 share

characteristics, it is a concern for employee involvement, for supporting youth, and for encouraging a new audience to the arts. This is shown throughout the short-list. In Birmingham got free membership to the Hall. It is up against Anglo American, whose backing for the major African show at the Royal Academy acted as a lever for other sponsors: LG Electronics, a Korean company which made a massive impact with £125,000 to help the Royal College of Arts celebrate its centenary with a stylish exhibition; and Lilt, the soft drink, which enabled the Notting Hill Carnival to go with a swing.

Lilt is a brand. Using brands rather than the company name to sponsor the arts is a growing trend, but it does not feature greatly in this year's short list. The corporate identity remains paramount. For the International Sponsorship Award it is a battle between Digital, which helped bring Cirque du Soleil to the Albert Hall; Standard Bank, which took the National Theatre's Studio for workshops in South Africa; and Roche Products, which put Oxford Orchestra Da Camera on the European map.

The awards are constantly changing. Instead of a prize for the best corporate programme - which tended to go to the highest spenders - ABSA has developed a Strategic Programme category, to encourage sponsorship as integral to marketing. Contenders are the Bank of Ireland; Beck's; British Telecom; and Halifax, a fairly new sponsor but very active in Yorkshire. Youth Sponsorship always attracts many entries and this year the award will go to either the Bank of Ireland (again); Midland

Bank; Royal Mail (London division); or TSB. Increasing access to the arts is acknowledged in a special award, for which Bank of Scotland (which took a book bus to the remote parts of Scotland); First Hydro; Scottish Power (with imaginative support for Scottish Opera which sang excerpts from their forthcoming season to a free audience in a disused Clyde shipyard); and Yorkshire Electricity are short listed, while the Long Term Development prize will be decided between Amoco, committed supporter of Welsh National Opera; Brother International, which helps the Hallé; Esso, stalwarts of the National Gallery; and United Distillers for its support of the Lyric Hammersmith, which has recently been extended to offering free tickets for first nights to local people. Perhaps the most interesting

awards are for Sponsorship by a Small Business and Sponsorship in Kind. The former reveals the real enthusiasts - Albert's Music Shop, a five man retailer in Guildford which put £3,000 into the Guildford Music Festival and recorded a 25 per cent rise in turnover; Forward Publishing for the Forward Poetry Trust; El Pro UK, which gave £15,000 to the dance development programme of Africa 95; and Judith Adams, the Art Bookshop, who found £1,000 to encourage drama in her local Ludlow Assembly Rooms. For help in kind Acorn Storage Centres gave Artangel space in Wembley for a work created by Brian Eno; Choice FM, a Birmingham radio station, effectively plugged an exhibition of black and Asian art at the Ikon Gallery; Harpers & Queen devoted six issues, plus £20,000, to the Hockney show at the RA; and Nightwright

GB carried the gear of Hathi Productions, an Asian arts group. Throw in Single Project, which will go to either AT&T for taking the Almeida *Hamlet* with Ralph Fiennes to the Hackney Empire; Channel Four for the Turner Prize; Glaxo Wellcome for opening eyes to Spanish Still Life at the NG; and Zeneca for backing North Stars Steel Orchestra of Eddersfield and you have most of the candidates. This year, to mark the start of the FT sponsorship of the awards, there is one new category, the FT/CREC Award for Sponsorship of the Arts in a European country. Among the ten short listed companies are Toyota Ireland; Creditanstalt (Austria); Eif (France); and Allied Domecq and Becks (UK). The range of companies with an interest in the awards shows just how established sponsorship now is in the UK. ABSA, through its director Colin Tweedy, is fighting hard to ensure that the performing arts do not lose out to bricks and mortar as arts companies seek money from business to underpin their lottery bids. The imagination shown in the 1995-96 awards suggests that ABSA is winning the battle.

Theatre

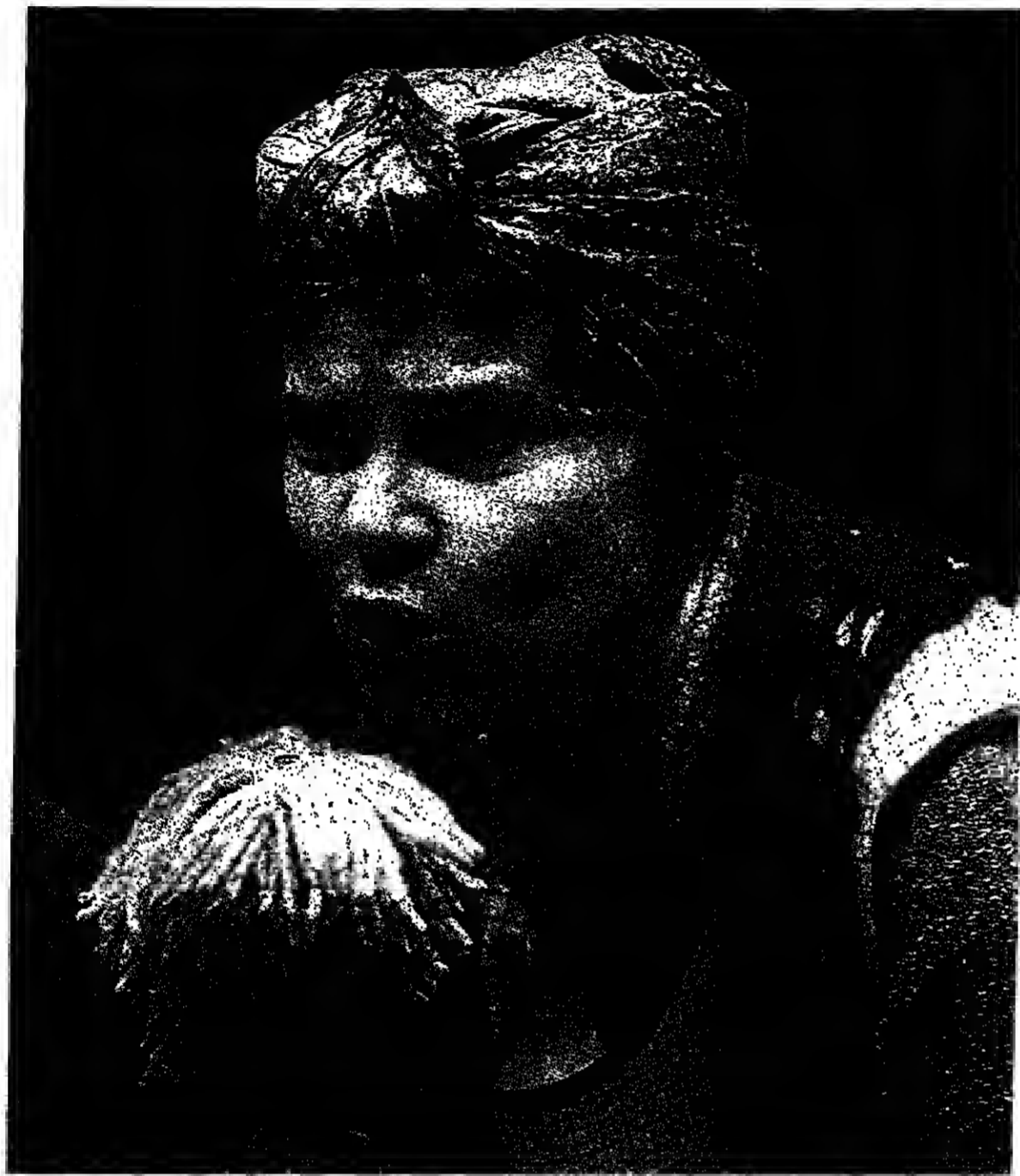
Habeas Corpus

Alan Bennett's 1973 comedy *Habeas Corpus* is stuck thick with jokes that had the audience laughing from first to last in the new Donmar Warehouse production. The jokes come in many kinds: physical and verbal, clean and dirty, satirical and farcical and parodic; jokes about sex and sexuality, about Englishness and respectability, and about the neat artifice of theatre. Often, the genres of joke overlap. As the Rev Throbbing says to the spinsterly Constance Wickstead, his would-be fiancée, "Together we shall be in the forefront of Anglican sexuality." Everyone is looking out for - remember this phrase? - the permissive society.

Habeas Corpus - though set in Hove, mainly in the home and surgery of the middle-aged and middle-class Dr Wickstead - is an audacious contrivance. It is a sex farce without such usual scenic trappings of farce as multiple doors. It is a theatrical celebration of theatricality - full of prolonged asides and ludicrous coincidences, and with a clear sense of comic tradition going back via Orton and Wilde. And it is a satire of Englishness which, in its use of song-and-dance routines to evoke fading local traditions, recalls John Osborne's *The Entertainer*.

This production, directed by Sam Mendes, is cast from strength. Every role here requires an ironic and complex sense of caricature. Almost every character reveals a vulnerable and desperate quality that renders him, or her, now absurd, now touching. The distaff side of the cast is especially strong. At first, Brenda Blethyn, as Dr Wickstead's 51-year-old wife Muriel, and Imelda Staunton, as the cleaning lady (and chorus and Fate) Mrs Swabb, are both a little too broad, but soon they sweep the comedy powerfully before them. It would be worth seeing this revival if only for the way Staunton intones "It's all self, self, self in this house. Locked in our tiny domestic tragedies only I, Amelia Swabb, can take the wider view." Or the way she fatefully announces to the audience "And now, suddenly the air is black with the wings of chickens coming home to roost." Or the way Blethyn, fixing her errant husband to a new stint of sexually hasty marital fidelity, makes him kiss her. Legs braced wide apart, she contracts in his embrace, like Hercules with the Nemean Lion; releasing the shattered man at last, she passes sentence on him: "And that's how it's going to be."

Celia Imrie, pinched nasal gentility and unwavering hauteur to the fore, is ideally cast as Lady Rumpers, and Sarah Woodward, always best in comedy, is superbly cast against type as the repressed spinster Constance. Jim



Cast from strength: Imelda Staunton in a new production of Alan Bennett's sexual comedy *Habeas Corpus*. Alastair Macaulay

Broadbent conveys the downtrodden mid-life lasciviousness of Dr Wickstead, with a nicely elegant air. Nicholas Woodson catches splendidly the fascistic and melodramatic edges of the secret inferiority complex of Sir Percy Shorter, while Richard Bonville as the virginal but perpetually hopeful Rev. Throbbing and John Padden as the hypochondriac Dennis Wickstead could hardly be bettered.

Yet there is something in *Habeas Corpus* that sometimes freezes both my admiration and my laughter. The play itself works so hard to shunt from joke

to joke (and Mendes's production, excellent in most respects, underlines this, with numerous drastic changes of Paul Pyant's lighting for every aside or survival moment), and a few of the jokes are creaky. *Habeas Corpus* strongly evokes such Orton comedies as *What the Butler Saw*; but where Orton's plays have a sense of irrepressible prurient glee, *Habeas Corpus* is full of repression and guilt. This is an odd thing to say of a play where three women have their breasts fuddled and three men drop their trousers. Its characters all reveal that smallness of spirit which, for Ben-

nett, always accompanies Englishness. And all of them, somewhere or other, express a sense of failure that spreads through the comedy like rising damp.

Englishness is really Bennett's only subject. He can always make us laugh at its absurdities, he adores its ironies, and he can usually show us its weak, touching, hopeless under-belly. If only he could give us more reasons to like it too.

Alastair Macaulay
At the Donmar Warehouse, WC2.

Ballet/Clement Crisp

Bold web of dynamics

Siohhan Davies' newest dance is *Tresspass*, and it is having a first showing on the current tour by her company. There is a commissioned score from Gerald Barry - exciting textures, ardent writing for piano trio - and set and lighting by David Bockland and Peter Mumford. And it is an exhilarating affair.

The title tells of the work's starting point: Davies' suggestion that the elements of design, lighting, music, seek in some way to alter or influence the other components, to trespass upon their domains. I saw the piece in Sheffield's Crucible Theatre on Tuesday night, where a thrust stage means that the interplay between dance and design was not fully realised. Nonetheless, the logic and interest of the staging was clear and intriguing.

Tresspass is a *stipendiata* concert-dance for Davies' admirable ensemble of seven dancers (four female, three male, in unisex tops and trousers), in which solo, duo, group dance, shift and eddy over the stage, crossing boundaries of light or design (there is a gauze which separates the back area of the stage), contrasting and con-

fronting ideas, sharing them, placing them in exact spots and then re-locating them. We watch a web of dynamics, fast against slow, light against heavy, which is also oddly and unexpectedly emotional.

Siohhan Davies' sensibilities and her physical attitudes are refined, precise in form. But under this control lies a passionate sense of movement: across the 20 years of her career, her dances have got holder without losing the exquisite tact that marked even her earliest creations. Her language is fluid, and seems to me to be becoming freer, more expansive, and it is undilutely communicative: the Sheffield audience of a wide age-range, was held tight by what they saw.

Tresspass is vividly responsive to Gerald Barry's score and the images it evokes. There are hallucinations (the piece begins with what looks like a granite and skeletal sea creature drifting in the ocean's depths) and games, and a large and luminous white globe that involves itself in the dance. And there is a constant interplay of dance-ideas: I love the way a hint of action seems to pass like lightning from one

body to another in the ensemble, and how, yielding to imbalance, the dancers suddenly take off on new passages of movement. *Tresspass* ends on a triple pianissimo, and as the last note and the last step hang in the air, the entire structure of the piece, now complete, hangs gratefully in the mind. The programme also included last season's *The Art of Touch*, that bravura response to Scarlatti harpsichord sonatas and Matteo Fargolo's new harpsichord writing in *Sette canzoni*. It is a dazzler, Davies' most overtly brilliant piece. Its latter part, using Fargolo's score, is superlative, dance and music absolutely indivisible as steps, clothe sound. Siohhan Davies here shows the splendid maturity of her talent with characteristic clarity and passion. It is masterly choreography. For the dancers - Amanda Britton, Gill Clarke, Sean Feldman, David Hughes, Jeremy James, Catherine Quinn, Deborah Saxton - unalloyed praise, with an especial note on Feldman's speed and rhythmic clarity.

Siohhan Davies will bring her new choreographies to London to the autumn.

Recital

Charmed fingers

When Yevgeny Kissin slipped back into the hall as a member of the audience to listen to the second half of the concert, the 26-year-old had just given a performance of Rachmaninov's Third Piano Concerto that tore the average student's hand-book out of play.

Kissin started the concerto slowly, underlining the Russian chant-like feel of the opening. Then, as the music begins to stir into life, he abruptly moved the tempo up a gear, making no apology for having

the performance, which alternated between the extremes of thoughtfulness and showmanship, as though possessed by a Jekyll-and-Hyde personality.

In this analogy Hyde is the astounding technician, the owner of ten charmed fingers that turn Rachmaninov's dense pages of semiquavers into sounds of brilliant clarity and rattle off octave scales with a power and speed that one would have not thought possible. It was Hyde who played the big cadenza in the first movement, making a thunderous assault on its fistfuls of chords. He was also assigned much of the slow movement, which I thought questionable. Rachmaninov surely meant the Adagio to be a contrast in mood, whereas Kissin played it every bit as ferocious as the movements on either side.

Hyde was certainly the dominant personality, but just when one began to tire of his high-octave technical dexterity, the *Inspirational Jekyll* would suddenly re-appear. After one particularly long passage of noisy, percussive playing in the finale, he conjured an oasis of calm, where the playing turned inward to a subtle exploration of the most delicate colours. At another point in the first movement the simple alternation of single notes between the hands became quite mesmerising.

Richard Fairman

INTERNATIONAL ARTS GUIDE

AMSTERDAM

EXHIBITION
De Nieuwe Kerk
Tel: 31-20-6268186
● World Press Photo: exhibition showing the work of the American photographer and prizewinner Lucian Perkins and other selected press photos; to Jun 9

BALTIMORE

EXHIBITION
Baltimore Museum of Art
Tel: 1-410-396-6303
● Grace Turnbull: exhibition devoted to the work of sculptor, painter, writer and social activist Grace Turnbull (1890-1976). In 1928 Turnbull turned her full attention to sculpture. Her principal technique was direct carving, both in stone and wood, although one of her sculptures best known to the citizens of Baltimore is the bronze "Niac" in the square of Mount Vernon Place. The exhibition is organised in celebration of the centennial of the Maryland Institute,

College of Art's Fine Art School of Sculpture; to Aug 4

BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
● Staatskapella Berlin: with conductor/violinist Pinchas Zukerman perform Mozart's Violin Concerto in G, KV216, Violin Concerto in A, KV215, and Symphony in D, KV385 (Haffner); 8pm; Jun 11, 12

COLOGNE

CONCERT
Köln Philharmonie
Tel: 49-221-2040820
● Daniel Barenboim: the pianist performs works by Beethoven and Brahms; 8pm; Jun 10

DRESDEN

OPERA
Sächsische Staatsoper Dresden
Tel: 49-351-49110
● Arabella: by R. Strauss. Conducted by John Fiore and performed by the Sächsische Staatsoper; 7pm; Jun 9

HAMBURG

EXHIBITION
Hamburger Kunsthalle

HELSINKI

OPERA
Opera House Tel: 358-0-403021
● Das Rheingold; by Wagner. Conducted by Leif Segerstam and performed by The Finnish National Opera. Soloists include Jukka Rasila, Jorma Silvasti, Esa Ruutinen and Arild Helleland; 7pm; Jun 10, 12, 15

LONDON

CONCERT
St. John's, Smith Square
Tel: 44-171-2221061
● The Songmakers' Almanac: with conductor Graham Johnson perform songs and duets by R. Schumann; 7.30pm; Jun 9
EXHIBITION
Royal Academy of Arts
Tel: 44-171-437438
● 228th Summer Exhibition: held every year since 1769, this is the largest open contemporary art exhibition in the world, drawing together a wide range of new work by living artists. It provides an opportunity to see work by internationally acclaimed painters, sculptors and printmakers alongside

MELBOURNE

EXHIBITION
National Gallery of Victoria
Tel: 61-3-92080222
● J.M.W. Turner: exhibition of approximately 60 paintings and watercolours by the English landscape painter Joseph Mallord William Turner (1775-1851). The exhibits come from European and American museums and private collections, including the collections of the Tate Gallery and the National Gallery in London; to Jun 10

MILAN

CONCERT
Teatro alla Scala di Milano
Tel: 39-2-72003744
● Concertgebouworkst: with conductor Riccardo Chailly and violinist Frank Peter Zimmermann perform works by Berg and Bruckner; 8pm; Jun 12

MUNICH

OPERA
Nationaltheater
Tel: 49-89-21851920
● Love for Three Oranges: by Prokofiev. Conducted by Roberto Abbado and performed by the Bayerische Staatsoper. Soloists include Guenter von Karren, Kenneth Garrison, Brian Montgomery, Marita Knobel and Sabine Hass; 7.30pm; Jun 10, 13, 15

NEW YORK

EXHIBITION
Museum of the City of New York
Tel: 1-212-634-1872
● Gaelic Gothard: A History of the Irish in New York: exhibition featuring over 400 original artefacts that are displayed in thematic and chronological sections. Within each section, the exhibition focuses on themes important to the story of Irish New York life, such as politics, work, religion, and cultural pursuits, illuminating change in New York's Irish community over time; to Oct 27
The Metropolitan Museum of Art
Tel: 1-212-879-5500
● Enamels of Limoges, 1100-1350: the first international exhibition devoted to the works produced in the workshops of Limoges, France, between the 12th and 14th century presents some 150 examples of enamelwork from the collections of the Metropolitan, the Louvre, and the church treasures of France, including Conques, Toulouse and Saint-Denis. Arranged chronologically, the display traces the various technical and stylistic innovations of goldsmiths at Limoges over the course of more than 250 years. Also the exhibition reconstructs ensembles dispersed centuries ago, including the treasury of the monastery at Grandmont of which Henry II and Eleanor of

PARIS

CONCERT
Théâtre du Châtelet
Tel: 33-1 42 33 00 00
● Concertgebouworkst: with conductor Riccardo Chailly and violinist Frank-Peter Zimmermann perform works by Berg and Bruckner; 5pm; Jun 9

WASHINGTON

EXHIBITION
National Museum of American Art
Tel: 1-202-357-2700
● Ethru Vedder's Drawings for the Rubáiyát: American expatriate artist Ethru Vedder (1836-1923) became synonymous with his celebrated illustrations for an edition of the Rubáiyát of Omar Khayyám, published in 1844 by Houghton, Mifflin and Company. This exhibition features all 54 of Vedder's original drawings for the Rubáiyát; to Jun 9

ZURICH

CONCERT
Opernhaus Zürich
Tel: 41-1-268 6666
● Hermann Prey: recital by the baritone, accompanied by pianist Michael Endres; 8.30pm; Jun 10
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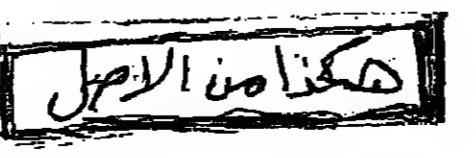
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COMMENT & ANALYSIS

LETTERS TO THE EDITOR

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Philip Stephens

Ireland's two faces

Mary Robinson represents a tolerant and inclusive Irish nationalism that is alien to Gerry Adams and the IRA

Two images of Ireland have impinged on our consciousness these past few days. President Mary Robinson has shown us the relaxed, self-confident face of the modern Irish Republic. In Gerry Adams, the Sinn Féin president, we have seen once again the mean, pinched features of Irish republicanism.

It is tempting to pass over the pomp and ceremony accompanying the first official visit to Britain of an Irish head of state. These are dark times. The IRA has refused a restoration of the ceasefire which not so long ago raised hopes of permanent peace in Northern Ireland.

The IRA cannot be defeated by military might. It has bombed and murdered for the last quarter of a century. In narrow, military terms it is as strong as ever. The contortions and compromises made by Mr Major's government during the past two years have recognised that reality. But nor can the IRA win its commanders still talk of defeating the British state.

But Mr Adams's claims cannot overcome the unionist majority in Northern Ireland. Mrs Robinson reminds us there are still more powerful forces at work, that time stands against the IRA. The President of the Republic represents a future which will see violent republicanism stranded by the tides of history.

The 52-year-old former law professor is the most popular head of state Ireland has ever had. At 90 per cent plus, her approval ratings are consistently higher than those of the British monarch. She is also a different type of president. Hitherto, Aras an Uachtairín, the presidential residence in Dublin's Phoenix Park, has been a retirement home after a successful political career. During her six years, Mrs Robinson has re-invented her office, using it to articulate and promote Ireland's new self-image.

A liberal, left-leaning feminist, her own background is integral to the process. She was brought up in the boglands of County Mayo. It is beautiful country, as rural as any in Ireland. It is also a bastion of Catholic traditionalism. Yet Mrs Robinson married a protestant. And, when she decided to enter politics, she chose the country's small Labour party over its two mainstream rivals.

There have been important breaks with convention in her approach to Anglo-Irish relations. Her predecessors rarely set foot in Britain. Though this was her first official visit to London, Mrs Robinson has made a point of making friends and building contacts during past, private trips. Save for the timidity of the Whitehall establishment, she might have broken another

The president of the Republic represents a future which will see violent republicanism stranded by the tides of history

taboo this week by addressing both houses of parliament. She has played host to several members of the royal family, and is eager for the Queen to become the first British monarch to visit Dublin since George V in 1912.

There is more to this than symbolism. Reconciliation with the past oppressor is part of a sense of Irishness which no longer relies on Britain. Unlike the English, the Irish have become enthusiastic Europeans. A successful economy and a cultural renaissance have reawakened national self-confidence. The Irish diaspora, numbering some 70m worldwide, is viewed now as a symbol of strength rather than of weakness. Thus Irishness is defined not by some arbitrary territorial boundary but by its culture and its values.

This is a concept of nationhood entirely alien to Mr Adams. As Mrs Robinson remarked this week, it recognises the right of unionists in the north to consider themselves British rather than Irish. It is tolerant and inclusive where Sinn Féin is mean and sectarian. It is Ireland's future rather than its past.

Watching his response to the latest agreement between the London and Dublin governments, it is clear that the Sinn Féin president understands none of this. Among his military bosses in the IRA, he no doubt stands out as rather a progressive figure. Mr Adams, of course, now claims that his organisation is distinct from the IRA. That is palpable nonsense. The two organisations are indivisible. He trumpets the fact that Sinn Féin secured 15 per cent of the votes for the Northern Ireland forum which provides the basis for next week's talks. He demands a seat at the table on the basis of that "mandate". No matter that his party's candidates included several of the IRA's military strategists. Sinn Féin knew the rules before the elections were held. Dublin is as insistent as London that it cannot bring its

armalites to the negotiations. For all that, I am not among those who believe that the two governments should abandon all hope even before the talks start. In spite of its defiance in recent days, there appears to be a curious standoff within the IRA. Mr Adams cannot secure a ceasefire. And there are whispers in the intelligence services of plans for another bombing "spectacular" in London. But the IRA is divided, and seems reluctant to relaunch full-scale hostilities. Perhaps, just perhaps, it has decided to wait and see.

In such circumstances, talks between Sinn Féin are better than paralysis. The ground rules now set out by the two governments are full of the obsession which has always been demanded by the tribal politics of Northern Ireland. But they represent a workable compromise. And George Mitchell, the former US senator, is a good choice as an independent arbiter.

No doubt the unionist parties will claim that further concessions have been offered to Mr Adams. But they too have missed the changes in the Republic. The principle that Northern Ireland's constitutional position can be altered only on the basis of consent is now entrenched in Irish as in British thinking. And were the IRA to put aside its weapons, Sinn Féin would enter the negotiations on a level playing field. The linguistic contentions in Anglo-Irish statements have always been inelegant but, if they save some lives, there can be no harm in that.

A few years ago, before the IRA ceasefire, Mrs Robinson took a political risk and shook hands with Mr Adams. She was much criticised at the time. I suspect she would repeat the gesture now if she thought it would advance the cause of peace. The president can afford to be generous. The future lies in her vision of Ireland. Mr Adams has too long been fighting yesterday's war with the British to understand that simple truth.

EU must act to allay fears over food

From Ms Annika Ahnberg and Franz Fischler

Sir, The consumer's trust in food must be reaped! Stricter legislation is one way. Citizens' and consumers' discussions on the use of antibiotics in animal feedstuffs and hormones as growth promoters are growing more intense. Hence the review of the veterinary legislation "from stable to table" initiated by the European Commissioner Franz Fischler is greatly welcomed.

People do not want to eat food that has been produced in an animal-unfriendly way, and they worry even more if the food is a threat to human health. The horror spreads, and even though it may not be in proportion with the real danger, their anxiety must be taken seriously.

Unfortunately, the fear we experience today due to BSE is not an isolated case. Next time it may be polluted tap water, growth promotion hormones in meat or antibiotic resistant bacteria. We need stricter legislation urgently.

The European Union, unlike the US, is against hormones used as growth promoters. The EU took into consideration scientists' as well as public opinion when deciding to ban hormones. The Union has to act in the same way when it comes to antibiotics in feedstuffs. Only by improving its ability to provide citizens' basic needs and solve citizens' basic problems can the European Union become truly successful and appreciated.

Annika Ahnberg, minister of agriculture, Swedish Ministry of Agriculture, 103 33 Stockholm, Sweden, Karl Erik Olsson, MEP and former Swedish minister of agriculture, European Parliament, Rue Belliard 97-113, B-1049 Brussels, Belgium

Summit aim must be to relaunch market integration in Europe

From Mr Carlo De Benedetti

Sir, At the summit in Florence later this month the heads of Europe's governments must face the fact that people today regard the idea of a united Europe with fear and suspicion. The enthusiasm for the 1992 Single Market - a promise of growth and prosperity - has faded.

Stage one of Europe's integration has ended. People feel cut off from a Europe that imposes endless sacrifices, taxes and social spending cuts. Support for government is dwindling as unemployment rises and a feeling of insecurity spreads across every region and every social class. Debate about Europe has narrowed to a technical discussion on the Maastricht targets among monetarists and the central banks.

Integration is stalled, leaving Europe stranded, the prisoner of an incomplete process. National markets are overwhelmed by a surfeit of regulations, bureaucracy and monopolies.

Markets work only if there is

a plurality of players; freedom of choice in supply and demand; freedom to enter and to withdraw; transparent prices; a distinction between assistance and welfare; flexible utilisation of production factors, particularly labour.

For Europe, this means a new socio-economic model; new rules on the labour market; deregulation in a broad range of sectors; elimination of the regulatory constraints that hamper the market.

The time has come for "phase two" in the construction of Europe, with deadlines and objectives that can be measured in terms of real benefits. Only then can we recreate the mood of expectancy that characterised the introduction of the single market.

Liberalisation of the telecoms sector is an example of what is needed. By setting precise deadlines and procedures, the Commission has provoked a sense of urgency in government and business. As markets open up

to competition, fresh impetus is given to innovation and price reduction. The examples of Britain, Sweden and Finland show that this can only benefit growth and employment.

To create a truly open single market, similar action must be taken in other areas, starting with those with greatest regulatory pressure: labour, education, healthcare, finance and transportation.

The summit in Florence needs to map out a clear plan of concrete action, which will relaunch market integration in an open competitive environment and recreate a real sense of "new frontier". Mr Jacques Santer, president of the Commission, has started the ball rolling with his ideas to stimulate co-operation among business, unions and government. He deserves our support.

Carlo De Benedetti, chairman, Olivetti, Via Jervis 77, 10015 Ivrea, Italy

Hopes for East Timor are not reassuring

From Mr Simon Giviner

Sir, Mr Ali Alatas, Indonesia's foreign minister, states in an interview with you "Indonesia threatens slowdown on E Timor", June 5 that he wishes a solution in East Timor which is "more or less durable and where no-one feels a loser".

What he means, of course, is that he wishes to encourage

Portugal - and the other human rights organisations you mention - to join the rest of the western world in turning a blind eye to the abuses perpetrated over the past 20 years upon the East Timorese by the Indonesian state.

I would suggest that the families of the estimated 100,000 men, women and children (about one-fifth of the

population) who have died in the independence struggle against Jakarta since 1976 would be less than enthused by the reassuring diplomatic news (from their own foreign minister, no less) that non-one need lose out.

Simon Giviner, 92, cours Vitton, 69006 Lyons, France

UK should recognise importance of Yemen

From Dr M.S.N. Al-Kahali

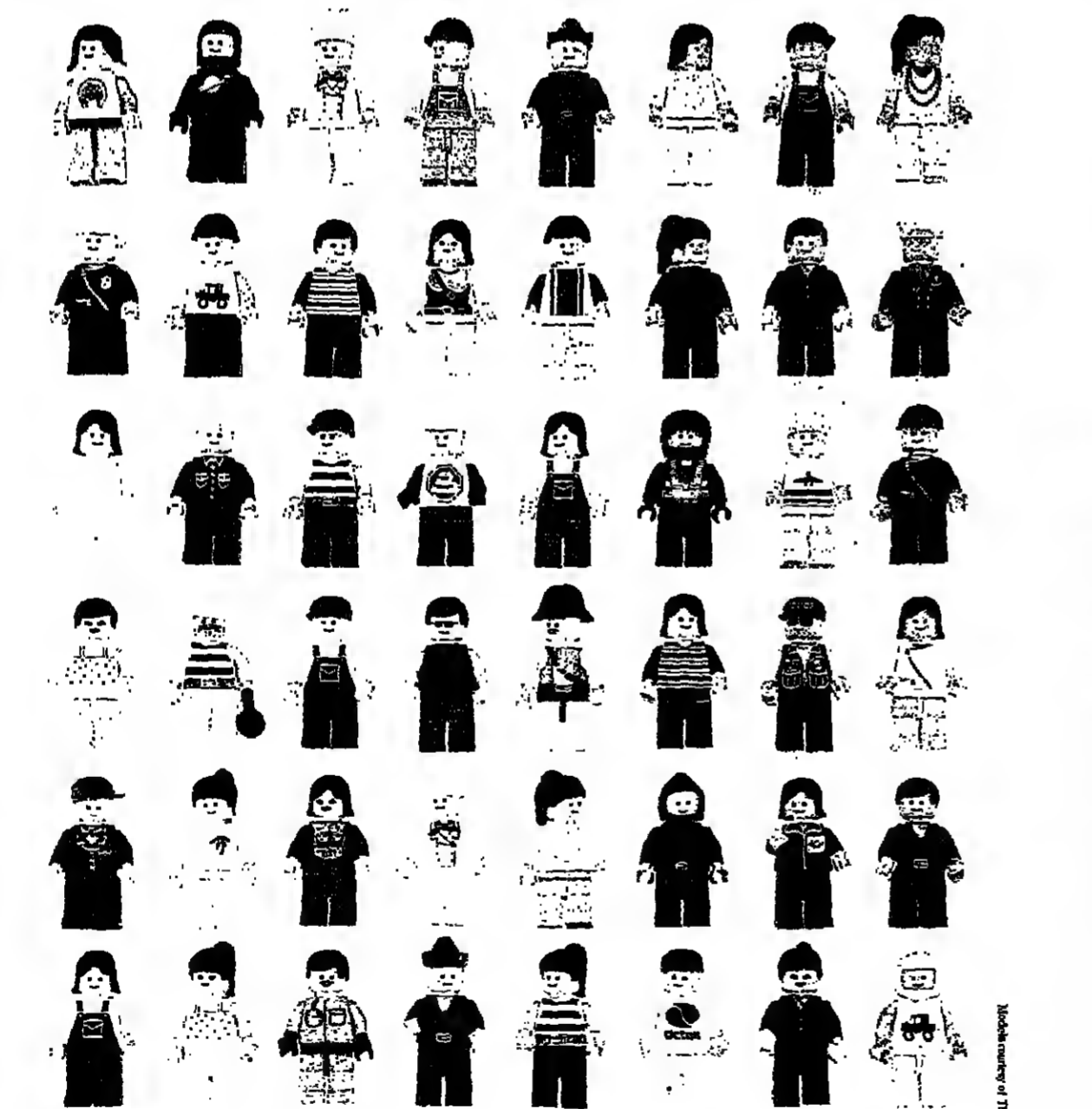
Sir, I would like to see the UK government participate more in the development of the Yemen. Having come from Aden, Yemen, and having experienced life in Saudi Arabia, I am surprised at the UK government attitude

towards the Yemen recently, especially after the last civil war in May 1994.

I think it is complacent in not recognising the importance of Aden as the future gateway to Arabia. In the uncertain future of Arabia politically, Yemen is the country to rely

on in times of turmoil, being the only country in Arabia that has a democracy, freedom of speech and human rights.

M.S.N. Al-Kahali, department of chemistry, University of Edinburgh, Edinburgh EH9 3JJ, UK



SPOT THE REFUGEE

There he is. Fourth row, second from the left. The one with the moustache. Obvious really. Maybe not. The unsavoury-looking character you're looking at is more likely to be your average neighbourhood slob with a grubby vest and a weekend's stubble on his chin. And the real refugee could just as easily be the clean-cut fellow on his left. You see, refugees are just like you and me. Except for one thing.

Everything they once had has been left behind. Home, family, possessions, all gone. They have nothing. And nothing is all they'll ever have unless we all extend a helping hand. We know you can't give them back the things that others have taken away.

We're not even asking for money (though every cent certainly helps). But we are asking that you keep an open mind. And a smile of welcome. It may not seem much. But to a refugee it can mean everything.

UNHCR is a strictly humanitarian organization funded only by voluntary contributions. Currently it is responsible for more than 19 million refugees around the world. UNHCR Public Information P.O. Box 2500 1211 Geneva 2, Switzerland



Europa • Michael Stürmer

The struggle of the Wild East

Russia has tried to limit the fallout from the collapse of the USSR but instability is still a threat

"I cannot forecast to you the action of Russia. It is a riddle wrapped in a mystery inside an enigma." That is how Winston Churchill defined western ignorance about Russia more than half a century ago. He added, however: "Perhaps there is a key. It is the Russian national interest."

But this, in turn, leaves us with a big question. For what is the Russian national interest today? Is it determined by the westerners, of whom President Boris Yeltsin seems to be a distant descendant, or by the Eurasians, to whom Mr Gennady Zyuganov, Mr Yeltsin's chief opponent, and the recycled communists owe their allegiance?

Or is it decided by the energy clan around Mr Victor Chernomyrdin, the prime minister? Or by the military under General Pavel Grachev, the Russian defence minister? In this defining moment of world history, just one week away from the Russian presidential elections, it is very difficult to find out who is determining the Russian national interest.

Dostoyevsky's Russia, with its strange mix of sentimentality and brutality, may be more of a guide to the future than the free-wheeling capitalist Russia of Professor Jeffrey Sachs, the Harvard economist. We will not have the Russia of our wishes. There is, in sharp contrast to recent hopes in the west, still a lot of history to come. Russia is one-seventh of the earth's landmass, spreading across nine time zones. It is a country of violent contradictions - yesterday's superpower, tomorrow's energy giant, and a country whose potential for creating trouble for itself and for the rest of the world may defy our wildest imaginations. At the end of the cold war the USSR was the uneasy owner of 46,000 nuclear warheads and is now trying to control what is left. Empires, when they fall, do so with a bang, not a whimper.



Russia's struggle for unity: brutal tactics in Chechnya

Soviet Russia, so far, is a notable exception. But the transition from the USSR of the past to the Russia of the future is the greatest drama of our time, although it has not yet turned into tragedy. A year ago the message from financial markets was that the time of trouble was coming to an end and that from now on reconstruction would start, investment flow and profits flourish. This was a little premature. Today it is sadly evident that the makings of a civil society are conspicuous only by their absence and that it will take decades to develop effective administration, reliable infrastructure and the rule of law. Meanwhile we have to do without, and reinvent life in the Wild East. It may take generations to turn robber-baron into people who blend the ethics of puritanism and the spirit of capitalism.

But so far so good. The Soviet Union has fallen into pieces, but Russia is struggling, successfully, to stay together, and we should welcome this even if the method applied - for instance in Chechnya - looks horrible and not even effective. The centre has shown both its willingness to force dissenting provinces into line and its ability - in Tatarstan, for

Europe takes, at best, second place.

For their part, the Russians have - with the help of money from Germany and other countries - co-operated with the west in trying to limit the destructive consequences of the fall of their empire. They left eastern Germany, Poland, Hungary and even the Baltic countries without much delay and in conformity with the agreements signed; they complied with arms control agreements - even the Conventional Forces in Europe agreement - now being repaired; they supported the Middle East peace process; in Cuba they understood how to cut losses; and the Dayton agreement, for the time being, enjoys their support.

This is the upside. But there are also ominous signs on the downside, including the quarrel over Caspian pipelines. The high-tech weapons sales to China reveal both a lack of wisdom and a lack of cash. In siding with Iran against the west, the Soviets are reopening the Great Game of the past.

Both the west and Russia should be careful not to make their common interests hostage to the dispute over the winning of Nato, but rather should try everything to fit together their different views of European stability. At the top of their list of concerns - apart from the opening of the Russian market and the building of good government - should be the control of proliferation of weapons of mass destruction; the co-opting of China, so far not given to strict observance of international rules; the establishment of security in the Middle East; and the stability of eastern and central European countries.

Chances for a settlement on most of those topics are good, whatever Russia's domestic scenery after the election. So far Russia has conducted, from a weak base, a strong foreign policy, reorganising much of the post-Soviet space with subtlety even towards the Ukraine, although with rough edges in other places. Russia after the Soviet Union is far from being, as it was once called, "Upper Volta with missiles".

The author is director of Stiftung Wissenschaft und Politik, a German foreign affairs and defence policy institute.

FINANCIAL TIMES

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Friday June 7 1996

How to lose the beef war

In its battles with Europe over infected beef, the British government can now achieve only different degrees of defeat. Its best course therefore is to declare victory and beat a retreat.

As the Confederation of British Industry said this week, the UK has much to lose by elevating these questions of food hygiene and bovine disease into an international political wrangle. Britain should therefore adopt a more conciliatory tone, and co-operate with the European Commission in finding a solution without resort to procedural blackmail. Despite what the Tory party's saloon bar warriors may say, the other European countries do not want relations to be damaged by this issue either. There are matters of greater and longer term importance to discuss at the EU summit in Florence on June 21.

The decision by the Commission on Wednesday to lift its ban on the export of three beef products - tallow, gelatine and semen - was at least a step in this direction. The British government should have taken it as an opportunity to abandon its febrile attempt to disrupt EU decision-making. Instead, it responded - inadequately - with a procedural concession.

This might be a sign that the grand tour of European capitals this week by Messrs Douglas Hogg, the agriculture minister, and Malcolm Rifkind, the foreign secretary, is bringing a return to common sense. If so, they have not gone far enough. The continued vetoing of EU decisions is petulant and childish.

It is also counterproductive, since the disruptive behaviour is having almost the opposite effect to that intended. Far from persuading Britain's partners to lift the ban on British beef, it is annoying them and stiffening attitudes. Moreover, it is a thoroughly bad precedent for how EU disputes should be resolved.

The British government must come to terms with its mistakes: a failure to take strong action against BSE (or mad cow disease) in the mid-1990s; clumsiness in handling recent evidence that BSE might be passed on to humans; and insensitivity in not giving better warning to EU partners of the new findings.

Moreover, UK ministers still need to understand that EC governments, acting as proxies for consumers, had every right to be worried by the announcement of eating British beef might cause death. However small that risk, potential customers on the continent will require more than the British government's word that adequate measures have been taken to make British beef safe. Moreover, since disputes about how many cattle need to be slaughtered cannot be resolved by science, a commercial decision may have to be made, instead, on whether access to EU export markets is worth the cost of killing more cattle than the UK believes necessary.

If the UK wants market access, it will have to co-operate unreservedly with the European Commission in agreeing the framework for measures to eradicate the disease. The UK must also accept that it has lost the trust of other countries in its ability to eradicate BSE. Rebuilding this trust will take years and require strong measures and more rigorous EU policing.

But first, British ministers must stop blowing their nationalist trumpets and admit the commission: "We are in a hole. Please help to dig us out."

Snipping rates

If you make a "surprise" cut in interest rates with an election on the horizon, you will inevitably be accused of putting politics before the interests of the economy. But the chancellor, Kenneth Clarke, can muster a perfectly good economic case for yesterday's modest reduction in the base rate.

The best reason for the move is also the most traditional: alarm over a rising pound. Before the one-quarter percentage point cut in rates, sterling had risen by roughly 4 per cent on a trade-weighted basis since the start of the year, with much of that rise coming in the past four weeks.

With luck, the loosening of monetary policy will help counteract the effect of the currency's sharp rise, without endangering the government's inflation target. Most signs suggest that UK manufacturers have yet to shrug off last year's build-up in inventories and the slowdown in continental Euro-

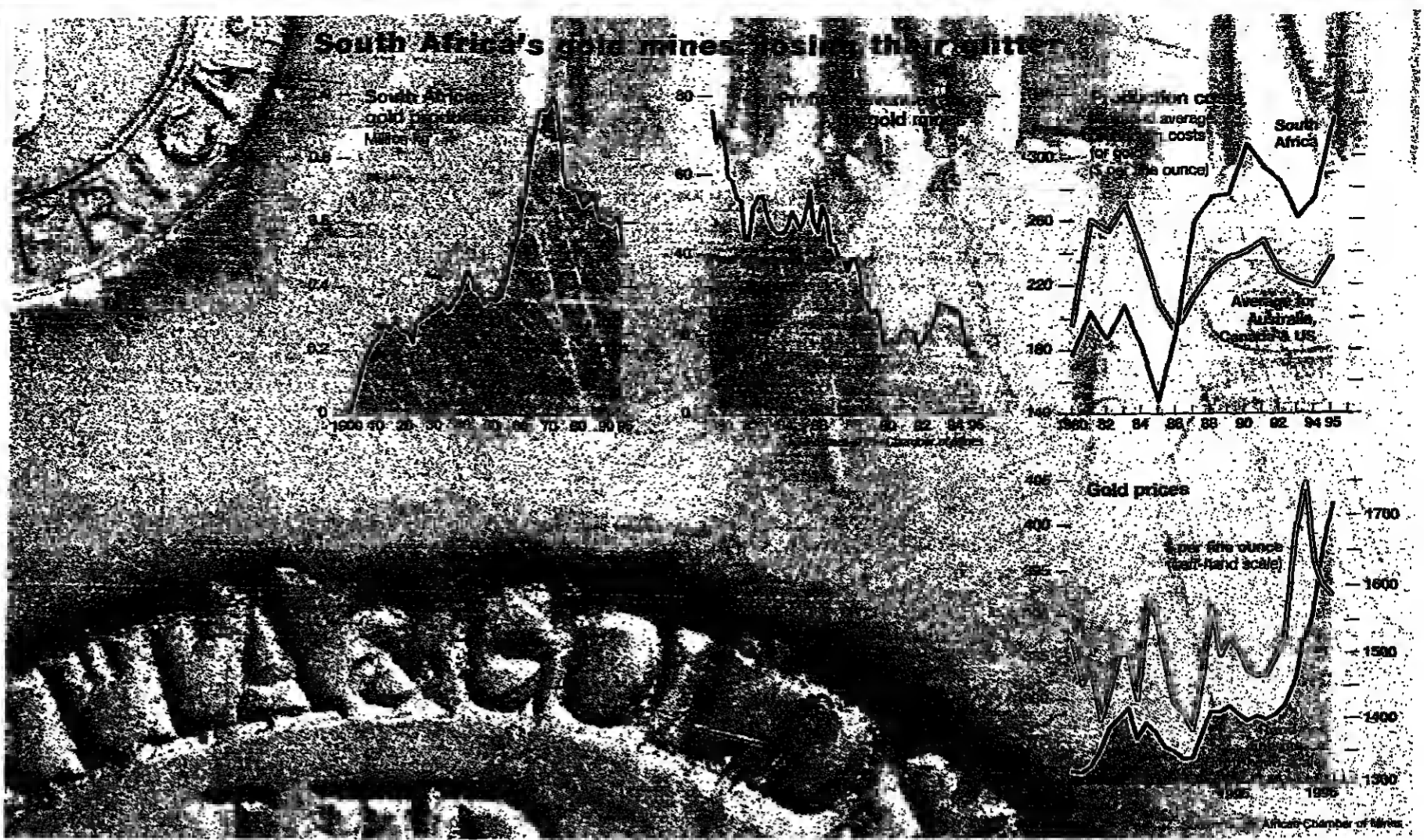
Remaking Nato

The Nato foreign ministers who gathered in Berlin this week gave some confusing signals about the real significance of their decision to create a more flexible defence system, with Europe playing a bigger role. Fortunately, however, this long overdue effort to adapt the alliance to the post-cold war world was probably a more sensible, and less dramatic, move than the contradictory claims emerging from Berlin would suggest.

One such claim was made by US officials, who repeatedly described the conference as the most important Nato had held for decades. They also insisted, in the same breath, that the European-only military operations dreamed up in Berlin were unlikely to materialise, because the US would stay closely involved in the continent's security.

France, for its part, hailed the decisions taken in Berlin as a triumph for its campaign to make Europe more self-sufficient. But it also warned that they only marked the beginning of Nato's conversion into a military structure Paris could reject. The US had supported France in many backroom negotiations, was sceptical in public about the likelihood of all-European military operations of any significance. Germany, meanwhile, lent public support to France's claim to have won big concessions for European independence - although its own quiet security co-operation with the US has never been closer.

Despite all the confusion, the generals whose job it is to act on these strange signals can comfort themselves with the fact that in security matters, practice is often easier than theory. Bosnia has shown how the US and western Europe, including France, can co-operate effectively and flexibly



The pitfalls of deep mining

South Africa's gold mines are struggling to improve productivity and maintain their international competitiveness, says Roger Matthews

Johannesburg would not exist if it were not for gold. South Africa's economy was built on the mines around the city, and gold continues to make a vital contribution to the country's wealth. It provided nearly 5 per cent of gross domestic product last year, and 50 per cent of export earnings. South Africa still has at least 40 per cent of the world's recoverable reserves.

But high costs, poor productivity and the need to improve safety standards have called into question the international competitiveness of South Africa's gold mines. Production in 1995 dropped by more than 10 per cent to 523 tonnes, the lowest for nearly 40 years, after a fall of nearly 6 per cent in 1994.

Simultaneously, productivity decreased, pushing up production costs by 19 per cent, double the rate of inflation. The result was a 38 per cent decline in the profit on every kilogram mined, and a 36 per cent fall in the dividends paid by the mining companies.

Mr Roger Baxter, chief economist at the Johannesburg Chamber of Mines, says that last year could fairly be classified as a disaster for the industry. "South Africa's average production cost per ounce is now 36 per cent higher than other key producers, such as Australia, Canada and the US," he says.

The glory days of gold at \$800 an ounce, a pliant labour force, casual safety standards and rich ore veins are largely past. No new South African industrial empires will be created on the profits of mining. Capital costs are rising as the industry lazes before to mine ever deeper, with depths of more than 4km already planned.

The wider implications for South Africa's infant democracy are scarcely less alarming than the outlook for the industry. The govern-

ment urgently needs to increase economic growth to slow the rise in unemployment, currently in excess of 34 per cent of the workforce. The gold mines have shed nearly 200,000 jobs since 1987, and further reductions are inevitable among the remaining 350,000 workers.

As each miner is estimated to be financially responsible for seven to 10 dependants, and remittances are the lifeblood of many rural communities, the social and political implications are obvious. Sacked miners, many from neighbouring countries, also tend not to return home. This adds to the problems of squatters in mining towns, and probably contributes to South Africa's already high rate of crime.

When Freegold, the world's largest gold mine, announced early this year that it was considering laying off 10,000 men, one of the first to react was Mr Tito Mboweni, the minister of labour. He swiftly telephoned Mr Bobby Godsell, the head of Anglo American's gold and uranium division, which owns Freegold, to protest and seek a reversal.

"Tito asked me how I could do this," says Mr Godsell. "I replied, 'Tito, how can I not do it, unless you write me an immediate cheque to cover the losses? But even that is no answer. You can maybe give the mine three months to try to put things right, but you cannot subsidise the industry. What you the government, the unions, and the shareholders require is profitability.'"

Mr Baxter estimates that the number of marginal mines - those having a profit to revenue ratio of below 6 per cent - has increased from seven in 1994 to 15 last year. These 15 mines produced more than 190 tonnes of gold and employed more than 150,000 workers. In other words the marginal mines account for 37 per cent of production and 44 per cent of the labour force," he says.

First-quarter results showed some improvement this year on the back of a higher gold price. The recent 20 per cent decline in the value of the rand will provide further short-term relief, as the gold price is denominated in dollars.

But the trend is clear, and Mr Baxter knows where the problem lies. "The root of the issue is the impact that labour and productivity has had on costs. The industry has to lift the yoke of burdensome restrictions and outdated work practices."

The gamut of changes required range from the elimination of attitudes that stem from the apartheid system, to the introduction of new skills and modern management techniques. "The most basic, fundamental change is to abolish the master-servant relationship on which this mine, and all others were run. The distrust of management is deeply imbedded," says Mr Chris Wiesman, human resources manager at Freegold No 1 shaft, at the Freegold mine. "If 10 years ago we had been able to implement the sort of changes we are now discussing, we would not be in the mess that we are today."

Foremost among the changes have been the abolition of restrictions that identified job by colour. The planned reduction in the number of different worker grades, and ending the distinction between production and engineering staff.

"There is no place in the South African gold mining industry for unskilled labour," says Mr Godsell, who 10 months ago took over as chairman of the world's highest gold producer. "Of course, there will always be unskilled tasks. But what we must have is multi-skilled individuals, who can handle a variety of tasks, and who bring value to

OBSERVER

The first \$1bn is the hardest

It hardly came out of a clear blue sky. In fact, if German giant Bertelsmann and the Murdoch-controlled British Sky Broadcasting had not fallen out over the best way to lose the first few billion dollars in the new age of digital television, it would have been surprising.

As it is, they protest too much. Germans have accused Murdoch of unseemly impatience, and Americans have retaliated with charges of uncommercial stolidness, but that hardly gives the whole story, coming from two of the world's largest media empires. If they were that touchy about dealing with foreigners, they would never have got so big.

Culture clashes may have played a tiny role. The only part of Bertelsmann clearly free of the provincial air of its Göttersloh headquarters is its US arm, run largely by Americans. The cosmopolitan Michael Dornemann, the Bertelsmann boncho who brokered the BSkyB deal, has been well taxed as a go-between within the Bertelsmann empire.

But it is Bertelsmann's lack of feel for TV, not Germanic caution, which always threatened the pact. All the more as the deal included the savvy, successful Canal Plus. Vox, an earlier Bertelsmann venture, was saved from

bankruptcy two years ago by Murdoch's own worse.

Bertelsmann was somewhat cavalier to promise Murdoch a slice of Premieres, Germany's first pay-TV network. That overlooked the fact that Canal Plus and Bertelsmann's arch-rival Leo Kirch, which also had stakes, might have had other plans for deploying this valuable weapon.

Could Murdoch and Kirch now team up? A Bertelsmann nightmare, surely. Although they are said to respect each other, it seems unlikely. But Murdoch and Canal Plus...

Hide and seek

After more than a year living out of his suitcase, Mexico's controversial former president Carlos Salinas has settled in Dublin - for now.

The diminutive former president who left Mexico after the arrest last year of his brother Raúl - has been sighted in recent months walking around St Stephen's Green, eating in restaurants, and being driven around in a modest blue Rover. Unlike his brother, who faces charges of illicit enrichment following the discovery of more than \$100m in sundry bank accounts, Carlos has had nothing formal levelled at him, and is incensed at the claim that he is hiding.

Home is now rented, and shared with a new wife, a Harvard graduate two decades his junior, and a four-month old baby. When he is not playing golf, which he has taken up for the first time, he works on a book about how governments should soften the social consequences of economic

Schott her bolt

If political correctness was invented to curb Marge Schott, it actually has something going for it. The dotty owner of the Cincinnati Reds baseball team calls everyone "honey," "baby" or "sweetheart" - unless they happen to be black, Jewish, or Asian, in which case she has a whole range of other epithets.

On Adolf Hitler she will tell you he was OK at the beginning, rebuilding all the roads and that. He just went too far. A third generation German-American who says she used to play with Nazi soldier dolls as a child, she has actually apologised for that particular comment. But many of her other baseball club owners believe that is not enough. They are understood to have given her until next Wednesday either to relinquish day to day control of the Reds or face suspension.

In 1963, she was suspended for a year, and sent on "sensitivity training" to stop her talking about "Dave my million-dollar nigger". It didn't work - and now it's probably finally too late.

50 years ago

Mexican Railway Sale
The Board of the Mexican Railway Company announces that, after protracted negotiations, the line has been sold to the Mexican Government as on June 1st, and the property was taken over by them on that date. Subject to contract, the purchase price has been agreed at 41 1/2 million pesos. Fifteen million pesos have been remitted on account, the balance to be payable when all legal formalities in London have been completed.

Brazil Traction Divided Policy
Mr. Walter H. Salomon is attending the meeting of the Brazilian Traction Light and Power Company to be held in Toronto towards the end of this month. He will ask the directors to pursue a more generous distribution policy. Mr. Salomon has been in correspondence with the Board, in anticipation of the recent meeting to consider the interim dividend (which incidentally was maintained at \$1). Mr. Salomon points out that for many years, barring the last two or three, the shareholders had a very raw deal. For 1935 and 1938 and 1940 there was no dividend. The highest payment between 1936 and 1943 was \$1 per share and the lowest 40 cents.

Handwritten signature or note at the bottom of the page.

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FINANCIAL TIMES
COMPANIES & MARKETS

FANCY A LEG?
The best way to know about the death of a woman is to see her in a dress. And only one woman in the world has done this. She is the woman who has been the most beautiful woman in the world for over 50 years.

Friday June 7 1996

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IN BRIEF

Court lifts hitch on Time Warner deal

One of the main obstacles delaying completion of Time Warner's \$7.5bn takeover of Turner Broadcasting fell with a court decision that the deal does not breach a joint venture contract between Time Warner and the US West telecoms and cable television group. Page 18

Springer upbeat after 15% advance

Axel Springer, one of Germany's largest newspaper groups, expects turnover to rise 4 per cent this year and the improvement in net profits to heat last year's rise of 15.4 per cent, despite higher paper costs and intense competition for advertising. Mr Jürgen Richter (left), chairman, made the optimistic forecasts after Springer announced that for the first time in its 50-year history, turnover, which included revenue from sales and advertising, exceeded DM4bn (\$2.6bn) in 1995. Page 16

OTE seeks ally for cellular phone venture

OTE, Greece's state telecoms monopoly, has appointed Alpha Finance, the Greek merchant bank which advised on its flotation earlier this year, and Finland Telecom, the Finnish state operator, as advisers on setting up a mobile telephony system to compete with two private cellular operators in Greece. Page 16

Mixed message from Philippine banks

The Philippine banking sector has never had it so good - average profits growth for the sector jumped to 45 per cent in the first quarter as the country's largest banks enjoyed unprecedented growth. But while lending volumes are growing space, the same cannot be said of growth in deposit volumes. Page 17

America Online shares tumble

Shares in America Online, the leading US online information service for personal computer users, have fallen sharply over the past two days as analysts expressed concerns about mounting competition from Internet-based services. AOL was trading at \$42 in mid-session, down 11%, or more than 21 per cent, from Monday's close of \$54. Page 18

Choppers protect Washington cherry trees

Helicopters hovering over fruit trees in the US state of Washington at this time of year are not engaged in agricultural espionage but in protecting the region's \$40m ripening cherry crop. Growers send a fleet of helicopters up to blow dry the fruit, which can be ruined at this crucial point in the growing season by rain. Page 21

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Chief price changes yesterday

NEW YORK (S)		SI Aquitaine	338.10 + 10.80
Billy Ester	27% + 2%	Shell	186 - 8
Infiniti Int'l	29% + 2%	Supercell	255 - 8
La Gracieuse	33% + 2%	TORICO (FV)	1800
Petrol		Widaco	18
Dave Corp	814 - 5	Acacia Chem	838 + 14
Nasdaq Int'l	384 - 24	Commerzbank	186 + 28
Woolworth	414 - 394	Takafu B	816 + 14
LONDON (Pence)		Petrol	18
Alcoa	463 + 32	Shell Chem	840 - 20
Mar United	251 + 30	Yasa	678 - 18
Medeva	251 + 30	Yasa	678 - 18
Overseas	228 + 26	Widaco	18
Sany Int'l	185 + 16	Widaco	18
Pharm	228 + 26	Widaco	18
York Water	820 - 25	Widaco	18
YORK (CDS)		Widaco	18
Alcoa	610 + 1.10	Widaco	18
David Young	7.50 + 0.75	Widaco	18
Heur Dealing	6.75 + 0.65	Widaco	18
Metrolife, Coma	19.10 - 4.20	Widaco	18
Pharm	18.80 - 3.20	Widaco	18
Amgen Int'l	14.30 - 2.20	Widaco	18
PARIS (FF)		Widaco	18
Alcoa	920 + 11	Widaco	18
BP	694 - 24	Widaco	18
Shell	675 + 8	Widaco	18
Sany Int'l	528 + 5	Widaco	18
San Int'l	528 + 5	Widaco	18

New York & Toronto prices at 12.30. Frankfurt closed.

NEC to cut semiconductor output

By William Dawkins in Tokyo and Jack Burton in Seoul
NEC, the world's second-largest producer of memory chips, is to reduce production of its main semiconductor, the 16-megabit dynamic random access memory chip, for one month because of a collapse in prices.
This comes just a week after the market leader, Samsung of South Korea, announced a 15 per cent cut in 16-megabit DRAM output for the second half of the year. Prices of 16-megabit DRAMs had halved since the turn of the year from \$45-\$50 per

chip, to about \$18-\$20, said NEC.
NEC's move added to the gloom surrounding semiconductor producers and cast a fresh shadow over its earnings outlook after a year in which its pre-tax profits more than doubled, said analysts in Tokyo.
NEC is to cut output at three plants in Japan and one in California by 18 per cent from the present 11m 16-megabit chips per month to 9m. Plans to increase monthly output to 18m units by January have been put on hold, for review at the end of August.
In the year to March, NEC invested a record ¥210bn (\$1.9bn) in plant and equipment, much of it for making 16-megabit DRAMs. Rivals have done the same.
But just as the industry's latest investment cycle peaked towards the end of 1995, so did demand, weakening first in the US and then elsewhere, said NEC. World supply currently exceeds demand by about 15 per cent, it estimates.
At the same time, NEC's share price has fallen from a peak of ¥1,480 last October to ¥1,150 yesterday, down ¥30 during the day. Other Japanese semiconductor companies' shares also fell.
Last month, NEC forecast a 10 per cent rise in consolidated prof-

output to 13m units a month and says it will stop at 10m. In Korea, the LG group recently froze production at 8m units a month, rather than raise it to 10m.
Hitachi and Nippon Steel of Japan yesterday linked up with the Economic Development Board of Singapore to establish one of south-east Asia's biggest semiconductor plants, AFP reports from Singapore.
The two companies signed an agreement to establish the plant, which will make 64-megabit DRAMs, with initial capital of \$8440m (US\$314.23m).
World Stocks, Page 32

Three years on, Donna Karan is again tantalising investors

Dedicated followers inspire a comeback

Three years ago Donna Karan addressed a hastily assembled press conference and, after admitting, "I'm much easier at runway shows than I am at this", announced that she had abandoned plans for her company to go public.
Ms Karan, a successful US fashion designer, was bruised by bad reviews for her latest collection and by heavy losses on a new perfume. Yet times change and last week she revealed that her company was resurrecting its flotation plans by selling 52 per cent of its shares on the New York stock market this summer to raise \$213m.
Ms Karan hopes to capitalise on the investment community's enthusiasm for fashion labels following last autumn's successful flotation of Gucci, the Italian fashion house. Gucci's share price has already tripled, and other luxury stocks such as the Estée Lauder cosmetics empire and Saks Fifth Avenue store group have since gone public. Will investors be receptive to yet another glamour issue?
"Sure they will," says Mr Edward de Boscqelin, analyst at Merrill Lynch in London. "Luxury stocks are being snapped up like there's no tomorrow. And we're going to see more coming through after Donna Karan."
The catalyst for investors' interest is the buoyant state of the global luxury market which is enjoying levels of sales growth and profitability last experienced in the mid-1980s.
By the end of that decade economic growth faltered and the industry hit the doldrums. Its North American and European markets have since stabilised and Japan, one of the fastest-growing luxury sectors of the 1990s, is emerging from recession. At the same time, dynamic Asian economies, notably South Korea and Taiwan, have become new sources of luxury sales, as have new rich Russians.
The Comité Colbert, the body that represents many prestigious French luxury houses, estimates that its members had annual compound sales growth of 8.7 per cent from 1992 to 1995, against 3.1 per cent from 1989 to 1992.
However the French, the old industry leaders, have been hampered by the strength of the franc and a change in consumer taste away from formal Parisian chic to the sportier style associated with Italian fashion houses such as Gucci and Prada, and US designers notably Donna Karan, Calvin Klein and Ralph Lauren - who have been more adept at moving into the hazy sportswear market than their French counterparts. Most of Donna Karan's business is in her sporty DKNY women's range, which made \$71m of her total net revenue of \$310m last year.
The luxury industry seems set for further growth in the late 1990s as new markets come on stream in Latin America and expansion continues in Asia. Condé Nast, the publishing group, is launching a South Korean edition of Vogue, its flagship fashion magazine, next month and a Taiwanese edition in September. Mr Jonathan Newhouse, chairman of Condé Nast International, said demand for advertising was so strong that both editions should break even from the first issues. The company is now considering other Asian



Hot property: Donna Karan's high glamour is attractive to investors

launches, as well as a Russian edition of Vogue.
Investor confidence has also been strengthened by management changes within luxury companies since the difficulties of the late 1980s and early 1990s. "The key to this business is management," says Mr Cedric Magnolia, analyst at CS First Boston in London. "It's all about controlling presentation, distribution and display. Companies are much more cognisant of that now."
Donna Karan has chosen a flotation moment to revive her reputation plans. Her business achieved net revenue of \$310m in 1995, a 21.4 per cent increase on 1994, while operating income rose 46.7 per cent to \$42.5m.
If the issue goes well, Ms Karan and her husband, Mr Stephan Weiss, will share \$118m of the \$213m proceeds with Takiyo, their Japanese investor, and will plough another \$70m into reducing the company's debt. Donna Karan now faces the challenge not only of convincing Wall Street to buy shares in her company, but that her flotation plans will come to fruition this time.

Alice Rawsthorn

Amer warning of loss for year sends shares down 11%

By Hugh Carnegie in Stockholm
Today, sports equipment accounts for 70 per cent of its turnover and through Wilson it has a share of more than 40 per cent of the world market for tennis equipment. It sponsors stars such as top tennis players Pete Sampras and Steffi Graf, Michael Jordan in basketball and, in golf, John Daly and Bernhard Langer.
Since Amer decided to move into sports equipment, world markets for tennis, golf and ski equipment (it acquired Austrian-based Atomic in late 1994) have been in decline or, at best, flat. Mr Talerio declined to say what action he would take, but Amer has signalled it wanted to sell MacGregor, which it said would remain in losses this year.
Mr Talerio said demand for tennis equipment had recovered in the US and he stressed that Atomic was benefiting from sharp growth in sales of snowboards and in-line roller skates. But demand for alpine ski equipment was still in decline, especially in Japan.
The four academic institutions which own 91 per cent of Amer's voting stock were in extended talks with a never-identified prospective takeover bidder until March, but the talks ended inconclusively. Mr Talerio said he had been offered time by the controlling shareholders to turn the company around. "Amer is not for sale," he said.
He said that he intended to spend most of his time in Chicago where Wilson is headquartered in an effort to return Amer to profits. He added that he expected to make a number of new senior executive appointments as he exerted his control over Amer.
Puma offer, Page 18

AT&T to dispose of leasing division

By Richard Waters in New York
AT&T has agreed to sell its leasing and finance business, AT&T Capital, in an unusual \$2.3bn buy-out which is being financed from London.
The deal will give control of the US's second-biggest equipment leasing company to GRS Holdings, a UK-based company which is financed by Nomura International, the London arm of the Japanese securities house.
AT&T has been exploring the sale of its 86 per cent-owned financing unit since last September. The disposal is part of a break-up of the US long-distance telephone group which has already seen the creation this year of a new listed company, Lucent Technologies, to assume its telephone equipment business.
For AT&T, the sale ends one of the most successful forays into finance by a US industrial group. The unit was created 11 years ago to provide finance for buyers of AT&T equipment, but has grown to a position where two thirds of its business comes from other sources.
Mr Tom Wajner, who will remain its chairman, said AT&T Capital planned to grow its international financing operations, which currently account for around a fifth of its \$10bn of assets. With operations in 20 countries, the leasing company would seek to work closely with big manufacturers or distributors which wanted "consistent customer financing worldwide", he added.
AT&T will continue to own a separate credit card business.
The UK-based GRS, whose backers include two specialist financing companies, PricewaterhouseCoopers and BDO Stoy Hayward of the UK and Babcock & Brown of the US, will end up owning about 85 per cent of the equity in AT&T Capital, which will keep its existing name. Another 10 per cent will be owned directly by Babcock & Brown, a San Francisco-based leasing and project finance firm, with 5 per cent owned by management.
The deal will be financed in part through a securitisation of AT&T Capital's assets, a method that would be used more frequently to finance the company's growth, said Mr Wajner. The transaction also involves \$900m of equity, and \$200m of perpetual preference shares. The equity provided by GRS will be financed by loan underwritten and syndicated by Nomura International.

Drug rivals link for research

By Clive Cookson, Science Editor
Glaxo Wellcome and SmithKline Beecham, the main rivals of the UK pharmaceuticals industry, yesterday announced their first-ever collaboration, to investigate the genetics of antibiotic-resistant germs. The two companies had investigated partnerships with independent biotechnology companies but concluded it would be faster and cheaper to work with each other.
Researchers at Glaxo and SmithKline will be collaborating to work out the genetic sequence of several disease-causing microorganisms. Their aim is to develop treatments for germs that are becoming resistant to the current range of antibiotics.

The companies decided independently last year that a research priority was to tackle the growing problem of microbial drug resistance. The World Health Organisation has been urging the pharmaceuticals industry to devote more resources to infectious diseases, which kill more than 17m people a year worldwide.
"The critical need for new products to treat the emerging threat of drug-resistant microorganisms has precipitated this first scientific collaboration between Glaxo Wellcome and SmithKline Beecham," said Dr Jim Nidele, Glaxo's executive director for research and development.
"We are confident that we can identify the gene sequences for

ter and at a lower cost than by pursuing this work independently or by entering a collaborative arrangement with gene-sequencing biotechnology companies," he said.
Anti-infective drugs form an important part of both SmithKline's and Glaxo's product lines, and they compete vigorously in the antibiotic (for bacteria) and antiviral markets.
However, the new spirit of collaboration between SmithKline and Glaxo will go only so far. Each company will use the genetic data discovered jointly in its own separate drug development programme.
They will then be operating independently and in open competition", SmithKline and Glaxo said.

HARVEY NICHOLS

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June 1996

سكينة الصالح

COMPANIES AND FINANCE: EUROPE

NEWS DIGEST

Five new directors join Stet board

Five new directors yesterday joined the board of Stet, Italy's state-controlled telecommunications holding company, and existing senior management was reconfirmed, as the group underlined its readiness for further privatisation. Stet shares have weakened recently following reports that the sale of the state's 64 per cent stake in the group might be held over to the start of next year.

At yesterday's annual meeting in Turin, Mr Ernesto Pascale, reconfirmed as chief executive, did not comment directly on negotiations with international groups including Cable and Wireless of the UK and IBM of the US. But he indicated that the timing and scope of the group's ambitious programme to lay fibre-optic cables to homes across Italy might be adjusted in the face of opposition from some local authorities. Among the new directors are Mr Alessandro Ovi, a close associate of Mr Romano Prodi, the new Italian prime minister, and Mr Tommaso Vincenzo Milanese, a finance director of Iri, the state holding company which controls Stet. *Andrew Hill, Turin*

Outokumpu warns on results

Outokumpu, the Finnish mining and metals group, posted net profits for the four months to April of FM191m (\$40.7m) against FM252m (\$51.2m) last year. Earnings per share fell from FM4.53 to FM1.54. The group warned that full-year results would be lower than 1995's. The warning and disappointing figures drove the shares down 2.4 per cent, to FM81. The company blamed the fall on the "weakening market situation". Operating profits fell from FM764m to FM452m on sales down from FM5,826m to FM5,751m. Profits after financial items fell from FM789m to FM306m.

Base metals sales rose by one-third to FM1,629m, while the operating loss narrowed from FM56m to FM37m. Stainless steel sales fell from FM1,928m to FM1,677m, with operating profits at FM337m, down from FM638m. Sales of copper products were little changed but operating profit fell from FM161m to FM133m. *AFX News, Helsinki*

Orkla pre-tax up 18.6%

Orkla, the Nordic region's biggest food and drinks producer, posted pre-tax profits up 18.6 per cent from NKr595m to NKr706m (\$107.9m) for the four months to end April. Net profits rose from NKr425m to NKr497m on sales up from NKr3,310m to NKr3,153m.

Industrial operations' profits fell from NKr341m to NKr316m. Profits on investment rose to NKr294m from NKr300m, corresponding to an overall portfolio return of 13.3 per cent.

The food division's operating profits rose from NKr78m to NKr134m. The beverages division made a profit of NKr45m - compared with a loss of NKr22m - due to a positive contribution from Pripps Ringnes, the joint venture in which the company holds 45 per cent. *AFX News, Oslo*

Rabobank forecasts growth

Rabobank, the Dutch co-operative bank, said it expected first-half profits to show strong growth, with the rate in the second half slowing somewhat. Mr Herman Wijffels, chairman, told the annual meeting that, in the first three months of 1996, volume growth had been very strong and that profits were clearly higher than a year earlier. *AFX News, Utrecht*

Dassault Systèmes listing

Dassault Systèmes, a leader in computer-aided design and manufacturing, is to be listed on the Paris bourse and the US Nasdaq exchange on June 28, following the decision of its owners - the Dassault aviation and industrial group, and IBM - to offer 15.2 per cent of its shares to the public. The offering, set at between FF936 and FF109 values the company at FF55b-FF5.6b (\$864m-\$1.1bn). The sale to the public will still leave Dassault Aviation with 38.9 per cent of the shares, Dassault Industries with 29.8 per cent, IBM with 8.5 per cent and Mr Charles Edelstenne, a senior Dassault group executive and president of Dassault Systèmes, with 7.6 per cent. *David Buchan, Paris*

ISS charges 'not threatening'

The \$100m extraordinary charges which ISS, the Danish-based international contract cleaning group will take this year to cover problems at ISS Inc in New York, do not threaten the existence of the group, according to Mr Arne Madsen, chairman of the supervisory board. He and Mr Waldemar Schmidt, group chief executive, broke a week-long silence yesterday to rebut "incorrect information" which has appeared since the charges were announced on May 30. The charges, of which \$40m are extra provisions for accident insurance claims, \$30m to cover "systematic book-keeping irregularities" between 1989 and 1995, and \$30m for any other problems that may appear, equal 45 per cent of ISS' group year-end equity capital.

Mr Madsen told a Copenhagen newspaper yesterday that the crisis was not threatening, because ISS made most of its money in Scandinavia and Europe "and we have a cash flow which means we could repay all our debts within two years". The need to make the provisions was "very well substantiated", he said.

Mr Schmidt, who became chief executive last October, stated yesterday that insurance liability provisions fell short every year from 1989 to 1995, and the \$40m extra provisions were therefore necessary. The provisions were not related to a reduction of legal staff at ISS Inc last year, as alleged in the Danish media. The unexpected \$30m charge was to cover a possible need to make additional provisions to cover past problems. "It is in direct contradiction with the facts when it has been suggested that this further \$30m is to cover present or future problems." *Hilary Barnes, Copenhagen*

Springer upbeat after 15% rise

By Judy Dempsey in Berlin

Axel Springer, one of Germany's largest newspaper groups, expects turnover to increase 4 per cent this year and the improvement in net profits to beat last year's rise of 15.4 per cent, despite higher paper costs and intense competition for advertising.

Mr Jürgen Richter, chairman, made the optimistic forecasts after Springer announced that turnover, which included revenue from sales and advertising, exceeded DM4bn in 1995 for the first time in the company's 50-year history.

Springer's sales and profit margins had been under pressure last year from two sides: the continuing rise in paper prices and a struggle among all German newspaper groups and television networks to attract advertising revenue and cut costs.

Turnover rose 4.7 per cent, or DM184.2m, from DM184.2m in 1994 to DM4.14bn (\$2.7bn) last year.

Net profits rose 15.4 per cent, or DM19m, from DM123m to DM142m over the same period. The dividend will be raised by 80 pfennigs, from DM13.20 to DM14, with an additional bonus of DM3 to celebrate the group's 50th anniversary.

Springer's sales and profit margins had been under pressure last year from two sides: the continuing rise in paper prices and a struggle among all German newspaper groups and television networks to attract advertising revenue and cut costs.

Mr Richter said Springer had already launched a digital service in Italy using the box. Canal Plus uses a different black box for its recently launched digital service in France, and will probably use a near-identical box in Germany. TF1, meanwhile, has been threatening to use a different system developed by France Télécom.

BSkyB is likely to use technology produced by the News Corporation subsidiary News Detacom when it launches digital TV in the UK next year.

Mr Bangemann's officials have made clear that the commissioner had no intention of being a referee so far as the choice of any decoder was concerned, but would try to get as much commonality and co-operation as possible.

Other participants at the lunch include Mr Kees Bekker, chief executive of Nethold; Mr Fritz Pleitgen, of West Deutsche Rundfunk; and Mr Gaston Thorn, former president of the European Commission.

Ironically, the lunch will bring together Bertelsmann, BSkyB and Canal Plus, who were to have launched a digital television service to compete with Kirch this autumn. That project is now in disarray, but Canal Plus said yesterday that, unlike BSkyB, it had not pulled out. Both Bertelsmann and BSkyB would like to continue to work with the French group.

OTE seeks ally for cellular phone venture

By Karin Hope in Athens

OTE, Greece's state telecoms monopoly, has appointed Alpha Finance, the Greek merchant bank which advised on its flotation earlier this year, and Finland Telecom, the Finnish state operator, as advisers on setting up a mobile telephony system to compete with two private cellular operators in Greece.

OTE, which listed 8 per cent of its equity on the Athens stock exchange in March, is looking for an international telecoms operator as a strategic partner for the project, due to be launched early next year, using the DC1800 system.

The international operator would hold a minority stake in a new OTE subsidiary for mobile telephony and manage its operations. OTE has said the project would require investment of Dr120m (\$487m) over the next three years.

Alpha Finance, the investment banking arm of Alpha Credit Bank, Greece's largest private bank, and Finland Telecom were awarded the mandate in competition with CS First Boston.

However, their role has been restricted to setting up the subsidiary and outlining technical specifications for the project, leaving room for OTE to decide later on appointing an international investment bank to help select the foreign partner.

Analysts pointed out that Salomon Brothers, a lead manager in OTE's flotation, submitted an unsolicited offer to find a partner for the cellular project. OTE is expected to start procedures for choosing the international operator in September.

OTE has already paid Dr14.3bn for a licence to operate a third mobile system. Officials said the OTE mobile subsidiary would try to capture a 30 per cent share of the cellular market projected to grow from the current 350,000 to 1m by the end of the decade.

However, the project may be delayed by objections from Teleset and Panafon, the two GSM operators which have built up competing networks covering most of mainland Greece and the Aegean Islands.

Teleset, in which Italy's Stet and Nynex of the US are partners, and Panafon, in which the UK's Vodafone has a stake, say the terms of their licences, awarded in 1993, provided exclusive cellular operating rights for eight years.

OTE says the government would be responsible for settling any financial claims brought by Teleset and Panafon.

European talks on digital decoder

By Raymond Snoddy in London

Most of Europe's leading media groups have been summoned to a meeting in Paris tomorrow to see if it is possible to agree on a single digital television decoder for Europe. The meeting has been called by Mr Martin Bangemann, the European Union's industry commissioner.

Participants will include Mr Leo Kirch, head of the Kirch group, which plans to launch digital TV in Germany later this year; Mr Pierre Lescur, Canal Plus chairman; Mr Thomas Middelhoff, of the Bertelsmann executive committee; and Mr Sam Chisholm, chief executive of British Sky Broadcasting.

The meeting, over lunch at a hotel near Paris, will address the fact that there could be three, possibly four, different competing decoders or "black boxes" in the European digital TV industry. The belief is that a single decoder might do more to bring down costs and kick-start digital TV in Europe, and with it the chance to move to as many as 200 channels.

The Kirch Group is planning to launch its digital TV service later this summer with its Dbox produced by Irdest, a technology company which is part of the Nethold group, a privately-owned information services provider. Nethold has already launched a digital service in Italy using the box.

Canal Plus uses a different black box for its recently launched digital service in France, and will probably use a near-identical box in Germany. TF1, meanwhile, has been threatening to use a different system developed by France Télécom.

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KHD rescue puts supervisory boards under scrutiny

Analysts again focus on shortcomings of German corporate governance, reports Michael Lindemann

When Mr Antm Schneider, head of the Klöckner-Humboldt-Deutz engineering group, finally faced the press this week, there was a jumble of figures explaining the DM1.06bn (\$778m) rescue package.

That is hardly new for the Cologne-based diesel engine and plant group, which has had to be bailed out three times since 1989.

The group needed DM919m of emergency funds last year to stay in business, including a capital injection. This was followed by a capital write-down and the issue of convertible participatory certificates. As part of the deal, KHD agreed to sell its agricultural machinery business, Deutz Fahr, to Same, the Italian group.

But while KHD's management was able to explain what went wrong in January last year, Mr Schneider was lost for words when it came to questions about the motives of the KHD managers responsible for what he called the "catastrophe" this time round.

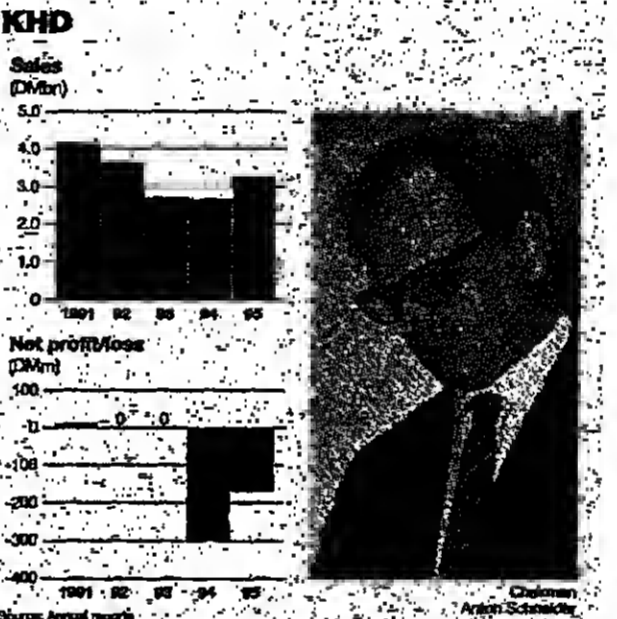
The executives who ran KHD Humboldt Wedag, the group's cement plant subsidiary, had as far back as 1993 put in bids to build three Saudi Arabian cement plants at prices up to 20 per cent below cost. The result was a loss of DM922m.

Mr Schneider said the figures had been "faked", false bills had been presented and shareholders, including Deutsche Bank which owns 47.7 per cent of the company, had been "tricked".

In addition, a contract to build a cement plant can run for more than two years, which means that KHD's losses could, for a time at least, be covered up by bringing in new orders.

Auditors and analysts alike accept that such deception can occur. "If people do put their mind to it - and particularly if they do it collectively - then they can develop sufficient energy to prevent auditors and outside executives from realising what is going on," one analyst says.

But as with other recent corporate upheavals like Metallgesellschaft, Bremer Vulkan and Daimler-Benz, questions are again being asked about functions of the Aufsichtsrat, the non-executive supervisory board which oversees management boards in Germany.



The members of the supervisory board are there to ask critical questions, but they don't seem to be doing that often enough," one London-based analyst says.

There are other explanations. Mr Hans-Olaf Henkel, head of the influential Federation of German Industry (BDI), says the supervisory boards have become too slack, partly because they are filled with representatives of a given company's workforce.

"Often critical questions are not asked because you have to take account of the employees' representatives," Mr Henkel says. "For the same reason it can happen in Germany that senior executives are not always chosen for their qualifications but also because they are acceptable to the workers."

The KHD debacle also shows how lenient the German system of corporate governance is according to Mr Robert Gibson, an analyst at London-based Robert Fleming Securities.

"I imagine KHD took on the orders because they thought they would get bailed out," KHD was an "interesting case", Mr Gibson says, because "we were all waiting to see whether they would throw money at the problem or show some resolve" and let KHD go bankrupt.

Deutsche Bank and 30 other creditor banks have clearly planned for the first option.

For the first time, the city of Cologne and the state of North Rhine-Westphalia have also become involved in a KHD rescue, together putting up DM174m of the DM1.06bn package in the hope of maintaining the group's 9,225 jobs, about 5,000 of which are in Cologne.

Both are likely to be disappointed, if KHD's past history is anything to go by.

Same, the Italian group which stepped in last year to buy Deutz Fahr, is now planning to move the company's 600 or so jobs from Cologne to Same's own plant in Laingues, in southern Germany, in order to save costs.

Since Humboldt Wedag is now to be sold, an eventual buyer will face similar pressures to move production from Cologne and merge it with facilities elsewhere. Possible buyers include Kropp Polysius and F.L. Smith Fuller, a Danish-US group.

Mr Schneider says that Deutz, all that is left of the once-proud KHD, now has "an extraordinarily good future ahead of it" with its new range of liquid-cooled diesel engines.

That is the sort of optimism one might expect. But it remains to be seen whether Deutz can win back a number of clients like MAN, the German truck maker, and Renault, the French vehicle group, which it has lost in recent years.

Matif gets go-ahead to launch wheat futures contract

By Andrew Jack in Paris

The Matif, the French futures and derivatives market, is poised to launch a contract for wheat futures in the next few weeks after winning political approval to overturn a 60-year national ban on speculation in agricultural products.

An article in a draft bill aimed at modifying the country's financial services sector will open the way for the rapid launch of the new product. The draft is at an advanced stage of discussion by the French parliament.

It comes as a number of rival European exchanges are considering launching wheat futures contracts, following modification of the price intervention scheme for cereals as part of reforms to the European Union's Common Agricultural Policy. The Netherlands began trading in a wheat contract at the start of this month.

Matif has long been favourable to the idea of launching wheat futures, but until now its path has been blocked by a 1936 law, passed by the socialist Front Populaire government, which banned stock market trading of wheat. The ruling was renewed by the Vichy regime of Marshal Pétain in 1940.

The Matif decided to proceed after the success of its maize or rape seed oil contract, launched two years ago. It also operates commodities futures contracts for white sugar and potatoes. It has closed down contracts traded in the past in cocoa and coffee.

The Matif believes that trading in wheat and maize futures offer considerable potential because there is a substantial underlying market. France is the largest and the second-largest European producer, respectively, in the two commodities.

Under current plans, the wheat contract would be traded on the open outcry market between 10.30am and 12.30pm and from 3.15pm to 6.15pm, in units of 50 metric tonnes. The furthest maturity dates would be between 15 and 20 months.

A joint committee of politicians from the French National Assembly and Senate is due to meet next Tuesday to deal with disagreements over the new law, which also implements the ERM investment services directive in France. However, they are believed to have already approved the abolition of the 1936 clause.

Their discussions are more focused towards the reclassification of certain stock market traders, whose status will be modified by the directive. Once the legislation is officially published, there will be a further two-week consultation period during which legal challenges can be made.

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Sol Meliá adopts new strategy

Sol Meliá, the Mallorca-based hotels group ranked 17th in the world, opened a two-week offer period yesterday for an international initial public offering to place 45 per cent of the family-owned business on the market and raise some \$275m in fresh capital.

The listing, scheduled for July 2, is a milestone for Spain's equity market and a significant strategic shift by Mr Gabriel Escarrer, Sol Meliá's founder and chairman, who started work when he was 16 in a Palma de Mallorca office of Thomas Cook, the UK travel agent, 45 years ago.

Although tourism accounts for 19 per cent of Spain's gross domestic product, Sol Meliá, which manages 211 resort and city hotels in 23 countries, will be the first company in the sector to be quoted on Madrid's Bolsa. The issue also represents the first time that a domestic corporation has tapped the local market to increase its funds.

It is said that Mr Escarrer, who was once an altar boy, was given his start by his local parish priest, who persuaded an elderly churchgoer to lease a 60-bed hotel she owned to the Thomas Cook office boy.

Barely 21 years old, Mr Escarrer noted that Mallorca was attracting increasing numbers of sun-seeking foreigners. Within a year, in 1956, he was leasing five hotels and had founded a company called Sol.

Mr Escarrer, who has lost none of his touch for spotting trends, can thank sophisticated financial engineering and the growth of the capital markets for his strategic leap forward.

In April, after three years of complex legal and accounting brainstorming, he divided his empire into two parts: Sol Meliá, a pure hotel management group, and Hoteles Meliá, a company that owns 60 hotels and manages a further 22.

The move has been modelled on a similar segregation undertaken by Marriott International in 1993.

The strategy is based on the principle that the future lies in operating hotels rather than in owning them. The main attraction of this strategy is that a hotels group is able to list its pure management division, which is a stock that has proved attractive for investors, and then use part of the capital raised to reduce the real estate risk of the hotel property owning side of the business.

Under the issue terms, the offer of 15m Sol Meliá shares - 45 per cent of the hotel group's equity - will leave the Escar-

rer family with 55 per cent. The price range is set at Ptas2,270 to Ptas2,700 a share, valuing Sol Meliá at between Ptas70bn and Ptas90bn (\$540m-\$687m). The price will be fixed on July 23.

The IPO, co-ordinated by UBS, the Swiss banking group, will offer 5m shares outside Spain, and Sol Meliá expects the foreign tranche to be fully subscribed by UK and continental European institutions.

The hotels group, which has invested strongly in Cuba, has cancelled presentations in the US because it is concerned it could run foul of US attempts to ward off investment in Cuba under the Helms-Burton law.

If all goes to plan, some \$150m of the proceeds will finance the expansion of the hotel management company. About \$125m will go to Hoteles Meliá, in which Sol Meliá will acquire a 20 per cent stake, leaving the remainder of the hotel property owning company in the hands of the Escarrer family.

Tom Burns

Sol Meliá	Total revenue	Operating costs	Gross profit
1995 (Ptas bn)	12,300	7,100	5,200
% change	21.3 %	11.1 %	46.4 %
1994 (Ptas bn)	10,100	6,400	3,700
% change	16.2 %	8.0 %	62.1 %
1993 (Ptas bn)	8,700	6,000	2,700
Source: Company			

The good and the bad for Philippine bankers

Profits and lending in the sector are soaring but analysts are worried at the weak growth in deposits, writes Edward Luce

The Philippine banking sector has never had it so good. Average profits for the sector jumped to 45 per cent in the first quarter after hitting 40 per cent for 1995 and the country's largest banks, including Metrobank, the Bank of the Philippine Islands and Philippine Commercial International Bank, are enjoying unprecedented growth.

Analysts, however, are beginning to wonder how much longer the good times will roll.

Lending volumes are growing apace, by an average of more than 40 per cent this year and as much as 75 per cent for PCIB in the first quarter and 59 per cent for Metrobank.

The bank's lending portfolios are advancing on all fronts with the rapid expansion in corporate profits and the emergence of a buoyant consumer lending market - notably cars and middle-income mortgages, which have both posted sales growth of more than 50 per cent in the past 12 months.

The same cannot be said of growth in deposit volumes.

Indeed, the widening discrepancy between deposit growth and loan growth is leading some to question the sustainability of the banking sector's profits surge.

"The growth in lending has been very rapid over the past two or three years and is picking up further even now," says Mr Christopher Hunt, an analyst at W. I. Carr in Manila.

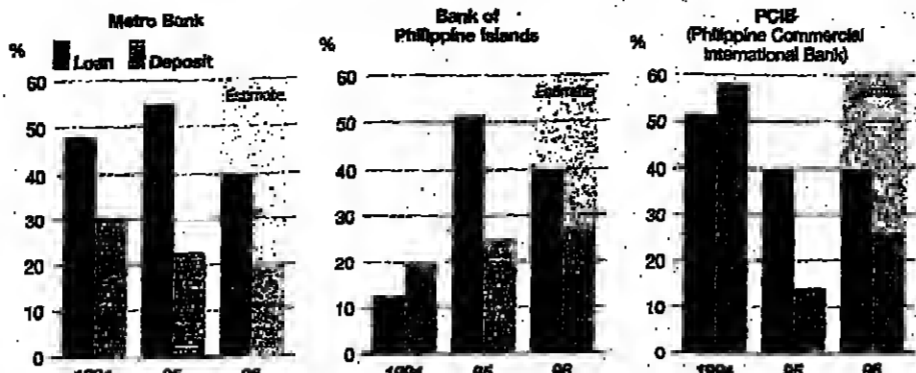
"Deposits on the other hand are growing at quite a sluggish rate which prompts the question where is all the money for lending going to come from?"

In the last year alone, PCIB's loan-to-deposit ratio has risen by 30 per cent to 110 per cent while Metrobank, the country's largest in terms of market capitalisation, has seen its loan-to-deposit ratio jump from 66 per cent to 102 per cent in the 12 months ended March.

BPI, owned by the Ayala Corp, the country's largest diversified holding company, has registered a similar mismatch between loan and deposit growth.

The sector as a whole - encompassing 41 commercial banks, including 10 new for-

Philippine banks: loan and deposit growth



Source: W. I. Carr Philippines

Foreign entrants - has broadly tracked this trend.

Senior banking executives, who point out that bad loans amount to less than 3 per cent of the average total portfolio, say accelerating growth in the Philippine economy will allow lending growth to continue at slightly reduced rates of about 30 per cent over the next three years.

Moreover, bankers predict that growth in deposits will pick up as branch expansion plans gather pace.

Metrobank, for example, which is majority-owned by Mr George Ty, one of the country's leading ethnic Chinese businessmen, is expanding its

branch network by 10 per cent a year in an attempt to tap "hidden" savings in the provinces.

The recently privatised Philippine National Bank (PNB), which is the country's largest in terms of total assets, is also expanding its provincial network at about 10 per cent in the race to capture new deposits.

Few, however, anticipate deposit growth catching up with lending.

"The theory is that there are all these savings lying about in the paddy fields which banks are going to clean up," says Mr Matthew Sutherland, chief researcher at Asia Equity Securities.

"There might be some room

for deposit growth in the provinces, but the inescapable point is that at some stage, either lending growth is going to have to fall or interest rates on deposits will have to rise quite steeply."

With interest rates on consumer deposits ranging from 2 per cent to 6 per cent - well below the headline inflation rate of 10.4 per cent - banks' customers would no doubt welcome increased competition for new deposits. By contrast, rates paid on consumer loans for cars or homes remain stubbornly high, at about 17 per cent.

Banks blame the wide spreads on government "directed credit" or "mandated lending" regulations - 40 per

cent of total lending must go to rural enterprises and small businesses.

The bankers' association is also lobbying the government to reduce the reserve requirement on deposits with the central bank from 15 per cent to 13 per cent.

"This, with a reduction in "mandated lending", would help reduce the cost of banking and improve the return on deposits, say bankers.

"At the moment, the intermediation cost of banking is still too high in the Philippines, which means that spreads between loans and deposits is wider than we would like," says Mr Rafael Buenaventura, head of the bankers' association. "Perhaps if the government acted more quickly we could make conventional deposits more attractive to the consumer."

Within the next two years, however, growth in lending volumes will almost inevitably slacken, according to analysts. At the same time profit margins will accordingly start to narrow.

"If lending volumes continue to advance at a much faster rate than deposits, then there would be a case for being cautious about the wider health of the Philippine banking sector," says Mr William Daniel, head of BZW's Manila office.

Normandy rejects new offer from Newcrest Mining

By Nikki Tait in Sydney

(US\$375m) earlier this year.

Mr Robert Champion de Crespigny's Normandy mining group yesterday dismissed a new merger proposal from Newcrest Mining, a fellow Australian-based resource group, as "poorly conceived, complex, unworkable and biased toward Newcrest shareholders".

The proposal would see Newcrest merge with PosGold, Normandy's goldmining offshoot, in a "dual listed company structure", similar to that used by RTZ and CRA last year. PosGold, meanwhile, would also merge with Gold Mines of Kalgoorlie and North Flinders Mines, in which it holds significant minority stakes.

"There would then be a reciprocal cancellation of Newcrest's 15 per cent shareholding in Normandy and an equivalent dollar value of Normandy's post-merger shareholding in the combined PosGold/Newcrest entity".

Normandy owns 51 per cent of PosGold, while Newcrest owns 15 per cent of Normandy and 12.5 per cent of PosGold. The Newcrest stakes were snapped up at a cost of A\$470m

Newcrest argues that its scheme would create a new "tier one" gold producer, by combining its gold interests with those of PosGold. Producing around 2.1m ounces of gold a year, the combined entity would be Australia's largest gold-mining house and "prospectively one of the top three in the world".

But Normandy claimed yesterday that PosGold and its associates would account for the lion's share of the merged entity and the merger terms likely to be sought by Newcrest - although not publicly outlined - would be unfavourable to PosGold investors.

Normandy also maintained that "for Normandy shareholders, it is difficult to see the attraction of losing control of PosGold without receiving an appropriate control premium or an equivalent re-rating. In fact, a discount to market value is the more likely result".

Instead, Normandy said it would like to re-submit its own merger proposal which would see a four-way merger between itself, PosGold, GMK and North Flinders.

NEWS DIGEST

Net profits halved at James Hardie

James Hardie, the Australian building materials group, yesterday announced a more-than-halved after-tax profit of A\$32.2m (US\$25.6m) for the year to end-March, and warned that domestic market weakness would probably mean a "flat year" in 1996-97.

Hardie's profit, struck after abnormal items, compared with A\$74.6m in the previous year. Part of the fall stemmed from a A\$23.3m abnormal charge, compared with a A\$5.1m surplus in 1994-95. The charge covered a number of items, including rationalisation costs.

Before abnormal items, the profit decline was less marked but still significant. Hardie made A\$58.5m, 13.8 per cent down on last year's A\$68.5m, despite a 1.5 per cent improvement in turnover at A\$1.76bn.

The Australian company blamed the poor results on the "sharp drop in residential building" in its core home market. With new home building down by about 27 per cent in the year, the building boards, windows, bathroom products and pipeline operations all faced high competitive markets. At a pre-tax level, profits from the Australian operations overall were down from A\$61.7m to A\$33.8m.

The picture in the US was much brighter, with pre-tax profits there rising from A\$21m in 1994-95 to A\$37.1m. Profits from the New Zealand operations were also up at A\$34.6m, compared with A\$28.3m.

The company admitted that it did not see any "significant short-term improvement in the market outlook" in Australia, and anticipated a further fall in new home-building this year. In New Zealand, it predicted a static market.

The company's share remained steady at A\$3.51 on news of the figures. Nikki Tait, Sydney

Anzoil finds gas in Vietnam

Anzoil, the Australian oil and gas exploration company, said yesterday it had made a gas discovery in northern Vietnam which was "commercially significant". The Perth-based company said drilling operations in the Hanoi Basin, 90km southeast of the capital, had produced gas in three test zones that showed a gas resource in excess of 900 bn cubic feet, at a depth of 3,355 metres.

"Anzoil has been examining the commercial options for gas development. A variety of options have been identified which are being pursued with potential consumers," it said. Likely buyers of the gas could be power plants, producers of urea and export processing zones needing gas for power generation, possibly in Hanoi or in the northern port city of Haiphong, which Anzoil said was short of energy.

Industry analysts said the find was significant in terms of the amount of gas found but questioned whether a market existed for it. Most foreign oil and gas exploration is taking place off Vietnam's southern coast and Anzoil is the only foreign company exploring for hydrocarbons on land and in the north.

Analysts say foreign companies operating in the south are likely to be able to sell some of what they find to power plants in heavily industrialised areas around Ho Chi Minh City. But in less-developed northern Vietnam, markets are less obvious, they said. "You're looking at an area that has a lot of coal available for power generation," one UK-based oil and gas analyst said. Jeremy Grant, Hanoi

BHP sells Dutch assets

BHP Petroleum, part of the Australian resources group, has sold a number of Dutch assets - including interests in four exploration blocks and one production asset - to a subsidiary of SHV Energy of the Netherlands. BHP said the assets comprised a 7.55 per cent interest in a block in the Dutch sector of the North Sea, plus exploration blocks in which it held a 50 per cent interest. The sale followed a review of its entire portfolio, the Australian company said. Nikki Tait

Optus completes borrowing

Optus Communications, the Australian telecommunications group due to float on the stock market later this year, yesterday announced the underwriting of a new A\$2bn five-year borrowing facility had been successfully completed. This will replace the bulk of the company's existing bank facilities, and help supply funds for the heavy ongoing capital expenditure programme. Syndication is due to be completed by the end of June. Nikki Tait

New chief for Macao telecoms

Companhia de Telecomunicacoes de Macau (CTM) said it has appointed Hongkong Telecommunications' chief executive, Mr Lintus Cheung, as chairman. It said Mr Cheung would be responsible for the development of the telecommunication business in both Hong Kong and Macau.

CTM is a private organisation, with Cable and Wireless holding 51 per cent, Portuguese Marconi 28 per cent, Citic Pacific 20 per cent, and the Macau government 1 per cent. AFP-Asia, Hong Kong

NEC president

Mr Hisashi Kaneko, president of NEC, was given an incorrect first name in the International edition of the FT on Wednesday.

“People say that we live in the past. Well yes, we have been providing for the future by managing investments for 200 years.”

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COMPANIES AND FINANCE: THE AMERICAS/EUROPE

America Online shares tumble on analysts' fears

By Louise Kehoe in San Francisco

Shares of America Online, the leading online information service for personal computer users, have fallen sharply over the past two days as analysts expressed concerns about mounting competition from Internet-based services.

AOL was trading at \$42 in mid-session yesterday, down \$1.14, or more than 2 1/2 per cent, from Monday's close of \$43.4.

AOL now stands alone as the only large consumer-oriented online service that has not announced plans to convert its services to Internet standards so that they can be accessed using a standard Web browser program, such as Netscape's Navigator.

This follows the recent announcement by CompuServe, the second largest online service, that it would switch to Internet software, as well as earlier moves by Prodigy, the Microsoft Network and AT&T's Interchange services, to adopt Internet standards.

Internet-based information services, most of which are free of charge, and fixed-rate

Internet access services were an increasing challenge to AOL, which charges subscribers according to how much time they spend online, industry analysts said.

Mr David Readerman, an analyst at Montgomery Securities in San Francisco, downgraded AOL from "buy" to "hold" on Tuesday, noting that the service would come under increasing competition.

Unlike its competitors, AOL depends upon proprietary technology and subscribers must use a special program to access the service. This means that

AOL must spend heavily on distributing disks to would-be subscribers.

"We still believe in the longer-term viability of AOL's branded consumer online service, but it must now adjust for the Internet," Mr Readerman wrote in a research report. He noted that an anticipated seasonal slowdown in AOL's business over the summer "sharply contrasts to the uninterrupted continued boom in Internet activity."

Mr Jeff Gorman, of Cowen, cut his forecast for US subscriber growth to 400,000 for

the current quarter, down from a previous estimate of 700,000. Last month, AOL said it had added 900,000 new subscribers during the quarter ended March 31, to reach a total of 5.5m in the US.

In a move to counter Internet competition, AOL recently announced a pricing scheme that reduced online costs for heavy users of the service.

However, analysts were concerned the new prices could affect revenue growth. During the first quarter, AOL subscriber revenues tripled to \$285.5m. AOL has also

improved the terms of offers to new subscribers, with 15 free hours on the service, versus the 10 free hours it had offered.

AOL has reached an agreement with Microsoft, which will incorporate an AOL icon on the menu screen of its Windows 95 PC operating system so that subscribers can click on the icon to reach the online service.

Despite concerns about Internet competition, AOL is rapidly expanding in Europe and last month it announced an alliance in Japan to launch a Japanese-language service.

Court dismisses US West suit against Time Warner

By Christopher Parkes in Los Angeles

One of the main obstacles delaying completion of Time Warner's \$7.5bn takeover of Turner Broadcasting fell yesterday with a court decision that the deal does not breach a joint venture contract between Time Warner and the US West telecoms and cable television group.

The link, which will result in the formation of largest media and entertainment group in the world, still faces possible Federal Trade Commission objections because of the partners' potential for market dominance.

The cable television market is likely to be an area of special concern to the investigators, not least because of a substantial "passive" stake in the merged groups which would be owned

by Tele-Communications Inc, the biggest cable operator in the US.

Mr John Malone, TCI's chairman and chief executive, has frequently locked horns with industry regulators. However, he has appeared more conciliatory lately, and has told analysts he was prepared to be flexible in the interests of completing the Time Warner/TBS deal.

In any case, a complete block on the merger is unlikely, and any FTC concerns as in the case of last year's deal merging Capital Cities/ABC into Walt Disney - could probably be met by selective disposals or spin-offs.

Time Warner executives, consistently confident that the US West suit would be thrown out, expect FTC clearance and completion of the deal by the autumn.

Depending on FTC opinions, the connection with US West could continue. Time Warner signed a partnership deal with the Denver-based cable company in 1988, when US West paid \$2.6bn for a 25 per cent stake in Time Warner Entertainment.

All US West's arguments that its partnership rights were violated and that Time Warner was obliged to consult it before moving on TBS were dismissed by a Delaware court.

Puma's stamina in doubt as race for growth begins

The German sports shoemaker has cut costs. Now it is confident it can boost sales, says Paul Abrahams

Puma's shares have been on the fast-track. Since Mr Joachim Zeitz became the German sports shoe company's chief executive in 1993, the stock has risen 138 per cent. Now, Proventus, its Swedish majority shareholder, is selling a potential majority of the company through an international offering.

Investors are puzzling whether the company's extraordinary progress is sustainable, or whether it could be about to run out of steam. Most of the progress has been driven by cost-cutting, where Mr Zeitz has an impressive record. Now the group must show it can grow sales.

A 50 per cent reduction in personnel in Germany, and the transfer of almost all production to Asia, helped take the group from a net loss of DM68m in 1993 to a DM25m (\$16.3m) profit in 1994. Last year, Puma made DM13.5m.

More recently, the group has boosted its stock by converting its preference shares into ordinary shares, simplifying the capital structure. An earlier than expected dividend also helped. Debt has been reduced, helped by strong cash flow and Proventus's decision to waive part of a loan, and the company hopes to cut debt further through a capital increase at the same time as the offer.

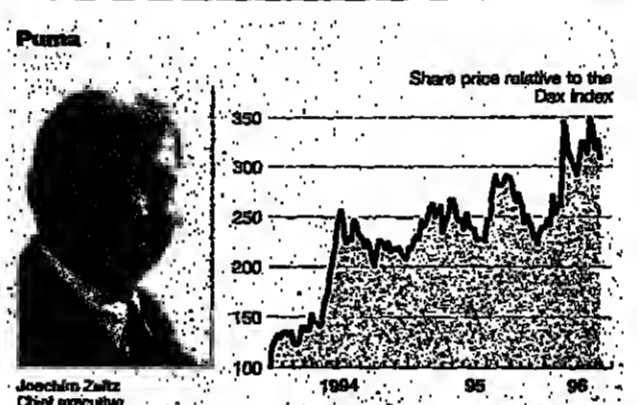
Mr Zeitz reckons debt should be eliminated by the end of the year. He insists the company can expand through sales growth, which in 1995 was only 6 per cent. "There's tremendous brand awareness, which just isn't matched by sales," he explains. In Europe the company faces considerable challenges. It has only 7 per cent of the market - compared with 4 per cent globally - and the big US manufacturers are looking to increase market share, particularly in the soccer market, an area where Puma is strong. This could threaten European

profits - nearly a quarter of last year's group total.

However, the biggest problem is in the US, which represents half the world's sporting goods market. Despite strong brand awareness, but market share has fallen from 6 per cent in 1985 to about 0.5 per cent last year. The company hopes to emulate Adidas, its German rival, based in the same home town of Herzogenaurach, whose US sales leapt from \$150m in 1993 to \$550m last year.

To reinforce its US presence, in January Puma bought its north American unit from its Swedish parent for a book value of about \$100,000. It has also installed new management, led by Mr Herbert Elliott, the Australian 1,500m Olympic gold medalist who previously led Puma's Australian operations.

The main problem, says Mr Zeitz, is gaining shelfspace at retailers. But he believes Puma's new polyurethane technology for running shoes will allow the company to build sales, and take market share from Nike, which has about 30 per cent of the US market, and Reebok with about 20 per cent.



Joachim Zeitz, Chief executive

Source: FT Index

What Puma calls "unique cell technology" allows the polyurethane to keep 90 per cent of its original cushioning for up to 600 miles, against 300 miles for conventional foam.

"Footlocker, one of the leading US sport-shoe chains, told us it was the most significant advance in mid-sole technology for eight years," claims Mr Zeitz. "That should help us get on to the shelves."

Nevertheless, Puma could struggle marketing spend by the company and franchisees is tiny, only DM70m a year. In 1994, the last year with available figures, UBS estimates Nike spent about DM700m on marketing, Reebok DM550m, and Adidas DM443m.

Mr Zeitz concedes its marketing effort is relatively small, but should be helped by the additional cash from the capital increase and by better targeting. The US operations are unlikely to be profitable until 1998, however.

The stock is trading on some fancy multiples. UBS estimates the company's prospective price-earnings ratio for 1997 and 1998 is at a 15 per cent premium to Adidas, and an 11 per cent premium to the German market.

Although Mr Zeitz and his team have proved dynamic, such ratings demand impressive growth from a group that remains a unknown in the sports-shoe market.

Keebler to merge with Sunshine Biscuits

By Tony Jackson in New York

Keebler, the US biscuit company formerly owned by United Biscuits of the UK, is to merge with its old rival Sunshine Biscuits to form the second biggest biscuit maker in the US. The merged company will have sales of about \$2.1bn and 23 per cent of the market by volume.

Nabisco, the market leader which is part of the IRL Nabisco tobacco group, has an estimated 36 per cent market share. Sunshine, number three in the market after Keebler with sales of about \$600m, has been owned by GF Industries, a private US company, since being sold by American Brands in 1987. Keebler, with sales of \$1.5bn, was bought this year in a joint purchase by Flowers Industries, a quoted US food company, and Artal of Luxembourg.

As part of the deal, GF Industries will become a minority holder in the consortium. Terms were not disclosed. The deal means the US biscuit market will be close to a duopoly. The next biggest manufacturer, President's Baking, is only a quarter the size of the merged Keebler-Sunshine business.

NEWS DIGEST

Genset raises \$98m with biotech IPO

Genset, the Paris-based biotechnology group, yesterday raised \$98m in the largest biotechnology initial public offering for a decade. Genset's offering of 5.4m American Depository Shares were priced at \$18 per ADS, said the underwriter, CS First Boston. The number of ADSs in the offering had been raised last week from the 4.2m indicated in the prospectus to 5.4m.

The estimated price range had also been raised, from an initial range of \$12-\$15 to \$15-\$17 per ADS. Each ADS represents the right to receive one-third of one ordinary share. Each ordinary share was priced at FF249.00, the underwriter said. The company is engaged in the analysis of the human genome. Its objective as stated in the prospectus is to apply its genomics technology to discover drugs for certain common diseases such as prostate cancer, schizophrenia, osteoporosis and dermatological diseases.

Reuters, New York

Glaucoma drug cleared by FDA

Pharmacia & Upjohn, the pharmaceuticals group, said the US Food and Drug Administration had given it permission to market its Xalatan anti-glaucoma solution (latanoprost) in the US. It is awaiting clearance in Europe, Japan, Australia and Canada.

The company said Xalatan represented a fresh approach to the treatment of glaucoma, a disease that affects 2m Americans and causes more than 20 per cent of the world's blindness.

DFR in legal row on Inco merger

Diamond Fields Resources, majority owner of the Volsky's Bay, nickel-copper-cobalt property in Labrador, has said it is taking legal action in response to a suit filed in Texas challenging the C\$4.9bn (D\$3.15bn) merger of DFR and Inco. DFR would not confirm it was countering three Texans trying to block the merger and claiming ownership of the property, nor would it say what legal proceedings were being taken. DFR and Inco said they were not now "in a position to determine when the acquisition of DFR by Inco will be completed." Neither company would comment further.

Kimberly-Clark divests Scotties

Kimberly-Clark, the US tissue and nappy group, has sold its Scotties brand tissue business in the US to Canada's privately controlled Irving Group for an undisclosed sum. The deal includes a tissue products mill in New York state and a license to market products across the US. The sale was required by the US Justice Department after Kimberly-Clark's US\$8.4bn acquisition of Scott Paper last December. Analysts expect Kimberly-Clark to sell its 51 per cent interest in Scott Paper of Canada by the end of the year.

Newbridge ahead 28% in quarter

Newbridge, the Canadian telecommunications equipment maker, improved fourth-quarter earnings 28 per cent with strong sales of computer networking products. Net profit for the three months ended April 30 rose from C\$51.8m, or 63 cents a share, a year earlier, to C\$66.6m (US\$48.7m), or 79 cents a share, on revenues of C\$272m, up 19 per cent. The latest quarter included a 10 cents a share special gain from an asset disposal.

For the full year, Newbridge earned C\$202.9m, or C\$2.45, up 8 per cent from C\$188.4m, or C\$2.31, on revenues of C\$922m against C\$900.5m. The order book is at a record level and Newbridge has allied itself with Germany's Siemens to speed up development of high-capacity ATM networks.

Newbridge stock has reached nearly C\$110 in the Canadian market and the company confirmed it may soon consider a stock split.

BCE sells bank stake for C\$330m

BCE, Canada's biggest telecommunications group, has sold 10m Bank of Nova Scotia shares via a secondary offering for a total C\$30.45m (US\$22.2m), or C\$3.05 a share. Scotia Capital Markets and RBC Dominion Securities were underwriters. BCE acquired the bank stake in 1994 in part settlement for the sale of Montreal Trust to the bank. The original price was C\$30m.

Repsol buys 37.7% of Astra

Repsol, the Spanish energy group, has bought a 37.7 per cent controlling stake in Astra, the Argentine oil group, for \$90m. Astra said it had agreed to transfer to Repsol an 18.4 per cent stake as well as 100 per cent of Caveant SA, holder of 19.3 per cent of Astra's shares.

Meanwhile, Repsol confirmed that Mr Oscar Fanjul, chairman, would resign after today's annual meeting. He will be replaced by Mr Alfonso Cortina, chairman of Portugal's Valdeirivas and a director of Banco Bilbao Vizcaya, who was made a Repsol director yesterday.

AES and IVO lead in Hungary power tenders

By Virginia Marsh in Budapest

AES Corporation of the US and a consortium led by Imatran Voima (IVO) of Finland have emerged as the front-runners for majority stakes in two power generators offered at tender by Hungary's privatisation agency last week.

It is believed only four western utilities made bids for stakes of 81 per cent and 74 per cent in the Tisza and Budapest companies respectively.

Minority stakes in the two companies were offered in the first round of energy sector privatisation last year but failed to find buyers, along with three other non-nuclear generators.

However, Hungary raised nearly \$2bn from the sale of stakes in 14 other electricity and gas utilities, mainly to large German and French companies.

An evaluation committee is believed to have recommended that AES's bid for Tisza, the

larger of the two generators, be accepted ahead in preference to offers from PowerGen of the UK and Steag, a German power company.

Like AES, PowerGen also bid for Tisza last year, as well as for two other generators but its offers were turned down as they were conditional. PowerGen already owns a local independent power producer.

The Tisza acquisition would be the first by AES, a large US power generator, in Hungary.

The company, which began to work in Hungary in 1993, entered three unsuccessful bids in the autumn.

A consortium of IVO, Finland's largest power producer, and Imatran Voima was the only bidder for the Budapest generator, which has a loss-making district heating operation. Last year, IVO acquired a majority stake in Eroterv, Hungary's largest energy engineering company, and it also has a local power generator mainte-

nance joint venture. Its bid was conditional and negotiations on several issues are expected to take place soon.

The authorities are expected to make important decisions on energy prices and other regulatory issues in the coming weeks. A local lawyer said yesterday that, without the planned modifications, several of the development projects planned by existing investors in the sector would not be able to be financed.

Advertisement for Kemira Oy, an international chemical group. Text includes: 'For the attention of the Investment Community', 'Kemira Oy will release its financial result for the 4-month period January - April 1996 on 11th June.', and 'Kemira is an international chemical group with production in over 20 countries and net sales of USD 2.8 billion.'

Table with 4 columns: V2 issue, percentage, percentage, and Price. It lists various issues and their corresponding percentages and prices.

Advertisement for The Financial Times plans to publish a Survey on World Coal Industry on Friday, July 5. Contact Anthony Hayes, Tel: +44 121 454 0922, Fax: +44 121 455 0869.

Advertisement for Volkswagen AG Wolfsburg, including 'Payment of Dividend' and 'Merrill Lynch & Co., Inc.' information.

Acquisition of former Fisons businesses from Rhone-Poulenc Rorer Medeva makes \$400m buy

By Jenny Luesby

Medeva, the pharmaceutical group, yesterday unveiled the \$400m acquisition of former Fisons businesses from Rhone-Poulenc Rorer. The deal will lift its annual sales by a fifth to more than \$200m (\$486.4m). The acquisition, to be financed in part by a placing and offer on a 1-for-6 basis at 220p, to raise \$105m, was welcomed by investors. The shares closed up 30p at 261p.

Mr Bill Bogie, chief executive, said the acquisition, which covers much of Fisons' former US drugs business and some French drugs was "bang in line" with Medeva's strategy of buying under-exploited drugs and infrastructure.

Medeva is paying \$370m to buy Rochester, which comprises Fisons' former US headquarters in New York and 10 branded drugs acquired by Fisons in 1988.

The company said the potential benefits of acquiring the Rochester business had become apparent during last year's exploratory merger talks between Medeva and Fisons.

The business recorded an operating profit of \$64.4m last year, on sales up 34.5 per cent at \$98.7m. Its three leading brands -



Bill Bogie (left) with Garry Watts: acquisition is 'bang in line' with group strategy

the respiratory drug Tussiohex, the appetite suppressant Ionamin and the diuretic Zaroxolyn - accounted for four-fifths of sales. Medeva said it hoped to accelerate the growth of all of Rochester's drugs by increasing the resources devoted to marketing and technical support. It would be able to do this immediately, said Mr Bogie. The launch of generic competition last year had left its main sales force in the US underem-

played, he said. Medeva is to pay \$30m for several branded drugs in France. Mr Bogie said the business would provide instant critical mass for the group's loss-making French arm. Analysts said the businesses were likely to be earnings enhancing during their first full year. One said they would lift group sales by 23 per cent, profits by 40 per cent, and add 2 per cent to the long-term growth rate.

The group yesterday forecast pre-tax profits of about £38m in the six months to June, and an interim dividend of 1.55p, for which the new shares will qualify. The acquisition will take the group's pro forma gearing to 150 per cent. However, Mr Garry Watts, finance director, said it expected debt to have fallen to £100m by 1997. Analysts forecast pre-tax profits in 1997 of between £125m and £135m.

BBA to decide on hostile bid for Lucas

By Tim Burt

BBA Group, the engineering and textiles manufacturer, will decide today whether to launch a hostile takeover bid worth more than £2.4bn (£3.64bn) for Lucas Industries, the automotive and aerospace equipment group.

Mr Roberto Quarta, BBA chief executive, is planning to tell a board meeting that the group has won sufficient shareholder support to mount a bid which would scupper Lucas's proposed £3.2bn merger with Varty Corporation of the US. Six large institutional shareholders canvassed by BBA are understood to have given their tentative backing for a takeover, although some have expressed misgivings over whether Lucas is the best target. The group is meeting two further shareholders this morning before putting its case to the board.

Most City analysts remain sceptical about the industrial logic behind BBA's approach. But several said yesterday they now expected it to launch one

of the largest hostile takeovers seen in the automotive industry in recent years.

Lucas has drawn up detailed plans to defend itself against what it claims is a "financial engineering exercise" by BBA. In the event of a bid, it is likely to cite the backing of some of the world's largest car makers for its tie-up with Varty, North America's largest brakes manufacturer.

The company is also thought to be close to buying a Spanish friction materials business, which would bolster its after-market division.

BBA, which wants to merge Lucas's brakes business with its own friction materials operation, is thought to be considering an offer funded with a mixture of paper and debt. It offered 285p-275p a share for Lucas - valuing it at £2.45bn-£2.5bn - it could finance the deal with £600m of debt and by issuing new shares to raise the remainder.

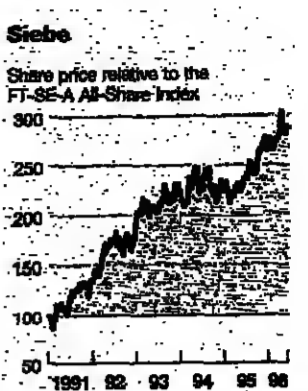
Lucas shares closed unchanged at 264p - valuing the company at £2.24bn. BBA shares closed up 7 1/2p at 303p.

LEX COMMENT

Siebe

Not many engineering companies can claim to be winning market share in growing markets. But Siebe, which yesterday unveiled a 20 per cent jump in profits on a 13 per cent rise in underlying sales, is one of them. Much of the group's recent success has been due to its Foxboro unit, which continues to power ahead. Foxboro's 1/A factory automation system is growing at nearly 30 per cent annually and has doubled its market share in the past four years. Both Honeywell and Emerson are launching rival products but Siebe has stepped up its R&D investment to maintain its two-year technological lead.

Siebe is also right to be bullish about the US, which accounts for 45 per cent of group turnover. After declining during 1995, volumes in temperature and appliance controls are up more than 10 per cent this year. This division is being reinforced by Unitech - bought for \$520m in April - which also brings Siebe valuable exposure to the Far East. Unitech's main power supplies business is growing at 15 to 20 per cent annually, though it will suffer somewhat from the downturn in demand for semiconductors this year. But that should be more than made up by \$5m to £10m of short-term cost savings. The increase in research spending was partly responsible for flat operating margins of 14 per cent. But with healthy cash flow and strong interest cover Siebe should continue with its diet of bolt-on acquisitions. On a 15 per cent premium to the market average, the shares are cheaper than those of TI Group and Smiths Industries and worth buying.



Source: FT Intel

Mayflower makes £139m cash call for US purchase

By John Griffiths

Mayflower, the expansionist UK engineering group seeking to become a global vehicle systems supplier and vehicle builder, is launching a £139m (£211.5m) rights issue to help fund the \$280m cost of a US vehicle suspension parts company.

The purchase of New Jersey-based Pullman, whose only operating business, Clevite, makes vibration control components, is the latest in a

string of acquisitions by Mayflower since it was created by a reverse takeover of Triangle Trust - maker of Tri-ang toys - in 1989. It comes less than nine months after Mayflower paid £25m for Alexander Walker, the bus builder. The market welcomed the announcement and Mayflower's shares rose 12 1/2p to 128p. The 7-for-10 rights issue, at 95p a share, is underwritten by BZW and Merrill Lynch. Shareholder approval will be sought at an EGM on June 24.

The balance will be financed by an \$90m bank loan. Mayflower sees Clevite as a logical addition to its vehicle engineering business. It makes suspension bushes, engine mounts and tie-rods for the big US car and truck makers. Such components are becoming more sophisticated and, in some cases, electronically powered as US vehicle makers seek to improve ride and handling qualities. As a result, Clevite's earnings per vehicle have been rising sharply.

By Tim Burt

Siebe, the international controls and temperature appliances group, yesterday reported a 20 per cent increase in annual profits despite difficult trading conditions in many of its largest markets. The company, which claims to be Britain's largest diversified engineering group, saw pre-tax profits increase from £275m to £331m (£503m) on sales of £2.6bn (£2.15bn). Mr Allen Yurko, chief execu-

tive, described the results as "top of the pile" in the UK engineering sector, adding Siebe had proved itself a credible challenger to US giants Honeywell and Emerson. He said it would maintain its aggressive strategy following April's \$520m takeover of Unitech, the UK controls and power supplies business. The group would spend about £100m this year, funded from cash generation. Siebe, which spent £197.6m on acquisitions in the year to April 6, has gen-

erated almost \$500m of cash from its manufacturing operations in the past four years. Mr Yurko predicted that figure would grow following the integration of Unitech, which offers better access to Asia and the Pacific Rim. Sales in emerging markets, including South America and eastern Europe, rose by 21 per cent to £497.7m with an order backlog of £788.6m. Strong demand there helped offset sluggish conditions in North America and western Europe.

Partners differ on Do-It-All future

By Christopher Brown-Humes

Boots, the retail and healthcare group, yesterday suggested that there were differences of opinion with WH Smith over the future of Do-It-All, their jointly owned DIY company. While WH Smith is signalling a willingness to sell its 50 per cent stake, Lord Blyth, the Boots chief executive, said yesterday his main aim was to "maximise value" in the company. He confirmed that there

had been approaches from potential purchasers. His comments came as Boots unveiled pre-tax profit for the year to March 31 of £507.7m, against £249.7m which benefited from a £30.1m profit on disposal of businesses. Boots' share of losses at Do-It-All rose from \$5.3m to £10.1m after an 8 per cent fall in sales. Lord Blyth acknowledged that the DIY chain had struggled, but said: "This is not the time to be selling Do-It-All, unless there is a special situation."

NOTICE

to the holders of the outstanding ECU 140,000,000 8 3/4 per cent.
Guaranteed Subordinated Convertible Bonds due 2002
(the "Bonds")

of

BCP Bank & Trust Company (Cayman) Limited

Guaranteed on a subordinated basis by
Banco Comercial Português S.A.
(the "Guarantor")

NOTICE IS HEREBY GIVEN to the holders of the Bonds that, as a result of the issue by the Guarantor on 27th May, 1996 of 27,000,000 shares of the Guarantor by way of rights, the Conversion Price of the Bonds has pursuant to the provisions of the Trust Deed constituting the Bonds, been adjusted from Escudos 1,916 per share to Escudos 1,806 per share with effect from 27th May, 1996.

BCP Bank & Trust
Company (Cayman) Limited
27th May, 1996

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BETWEEN ADMINISTRATIONS

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Roche

ROCHE HOLDING LTD

On June 4, 1996 the Annual General Meeting of Roche Holding Ltd approved the payment of the ordinary dividend for the fiscal year 1995 of CHF 64.- for each share and Non-Voting Equity Security (NES, "Gesamtschein"). In addition it was decided that centenary warrants be issued at a ratio of one warrant per share or NES held. The warrants will have a value of CHF 36.- (gross) on the day of allocation. Instead of the centenary warrants, the holders of shares or NES may elect to receive CHF 36.- (gross) cash.

As a result adjustment will be made to the terms of the following issue:

ROCHE FINANCIAL MANAGEMENT, INC.
(Incorporated in Panama with limited liability)

Subordinated Warrants issued with
1 1/4% Bond Issue 1984 - 2002
JPY 100 000 000 000

ISCA Reference Number 292192 (Warrants)
ISIN-Number XS005368901 (Warrants)

Notice is hereby given that in accordance with Condition 5 of the Terms and Conditions of the Subordinated Warrants, 100 warrants will entitle the holder to receive, at the option of the issuer, on the Settlement Date either:

- one NES of Roche Holding Ltd, Basel, plus an additional cash payment of CHF 36.-; or
- a cash payment equivalent to the Final Gesamtschein Price (as defined in Condition 2 (d) of the Terms and Conditions of the Subordinated Warrants) plus an additional cash payment of CHF 36.-; or
- a cash payment of CHF 7100.-.

June 7, 1996
Banque Internationale à Luxembourg S.A.
Principal Warrant Agent

NOTICE TO BONDHOLDERS

Far Eastern Department Stores Ltd.
(Incorporated with limited liability under the laws of the Republic of China)
US \$75,000,000
3 per cent Bonds due 2001
Adjustment of Conversion Price

NOTICE IS HEREBY GIVEN that as a result of the distribution of stock dividends of 31,361,739 shares by Far Eastern Department Stores Ltd. on 15th June, 1996, the conversion price of the Convertible Bond will, in accordance with the Indenture dated 6th July, 1994, be adjusted from NT\$39.31 to NT\$36.74 with effect from 15th June, 1996, the ex-dividend record date.

RIDDELTON LIMITED
HEX24040000
Platinum Bond 2000
Guaranteed by
THE INVESTMENT CORPORATION LIMITED

Notice is hereby given that for the interest period from 1st June, 1996 to 30th November, 1996 (which also includes the interest rate has been fixed at 4.5125% per annum, interest payable on 2nd December, 1996 will be at the rate of 4.5125% per annum (including the 1st day of the month).

RIBC Investment Bank Limited
Agent Bank

مكتبة العصر



PROPOSED MODIFICATIONS OF THE LICENCE OF BRITISH TELECOMMUNICATIONS (BT)

1. The Director General of Telecommunications (the "Director"), in accordance with section 12 (2) of the Telecommunications Act 1994 (the "Act"), hereby gives notice that he proposes to make modifications to the licence granted to British Telecommunications ("BT") on 22 June 1994.

COMPANIES AND FINANCE: UK

Mister Minit first to purchase Facia stores from the receiver

By William Lewis and Simon London
Mister Minit, a Swiss-based privately owned retail group, yesterday became the first company to buy some of the stores which used to form part of the Facia Group, now in receivership.

RESULTS

Table with columns: Company, Turnover (£m), Pre-tax profit (£m), EPS (p), Current dividend (p), Date of payment, Dividends corresponding dividend, Total for year, Total last year.

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. After exceptional charge. After exceptional credit. On increased capital. First interim. Subsequent after allowing for scrip issue. Option stock. \$/to be paid only if recommended offer from Avon Energy does not proceed. \$/on reduced capital. \$/Comprehensive for BT weeks already announced. *Comparative restated.

Advertisement for Pargesa Holding SA. Text: 'To advertise your Commercial Property And reach 52,000 property decision makers. Contact Courtney Anderson +44 0171 873 3252 Nadine Howarth +44 0171 873 3211 Fax +44 0171 873 3098 GERIC SS.'

Advertisement for Pargesa Holding SA. Text: 'Pargesa Holding SA GENEVA Notice is hereby given that an ANNUAL GENERAL MEETING OF SHAREHOLDERS will be held on Thursday June 27, 1996 at 11 a.m., at the registered office of BANQUE PARIBAS (SUISSE) S.A. 2, place de Hollande, CH-1204 Geneva. TO CONSIDER AND TO VOTE ON THE FOLLOWING MATTERS 1. Annual report, consolidated accounts, and parent Company accounts for the year ended December 31, 1995, and the report of the Auditors...

COMMODITIES AND AGRICULTURE

Kazakh aluminium boost planned

By Kenneth Gooding, Mining Correspondent

Kazakhstan's aluminium industry is to receive a US\$1.2bn boost. Formal agreements were signed in London yesterday by Mr Akexhan Kashegaldin, the central Asian republic's prime minister, for a new \$750m aluminium smelter, and for the expansion of annual capacity at Kazakhstan's Pavlodar alumina (aluminium oxide) complex from 1.1m to 2m tonnes at a cost of \$450m.

Trans-World Group, the UK based organisation that in recent years has been transformed from a trader into one of the world's biggest producers of aluminium, is spearheading the project. Mr David Reuben, chairman, said that, not only did Trans-World hope to be a major shareholder in the projects, it had committed to secure all the project financing and would buy all the metal so that pay-back was guaranteed.

The proposed new smelter will have a minimum annual capacity of 250,000 tonnes and will be capable of expansion to 400,000 tonnes. Mr Reuben said he hoped that Reynolds Metals, second largest US aluminium group, would join the project as a shareholder and provide technical expertise.

Power for the smelter would be provided by the Yermak plant, which had been acquired by Japan Chrome Corporation. JOC had promised to sign a long-term supply agreement to provide power "at a favourable rate." Trans-World provided some of the finance for the JOC power project.

Mr Reuben said that he expected the smelter to come into production in about three years time and, if all went to plan, that it would produce some of the lowest-cost aluminium in the world. The smelter would employ between 1,000 and 2,000 people. At present the Pavlodar alumina complex employed 6,000 and was heavily over-staffed. Productivity would increase because the same number of people would produce more alumina.

He estimated that the projects would create about 15,000 direct and indirect jobs. Intec Engineering Corporation, a Trans-World subsidiary in Russia that employed many engineers formerly with VAM, the Russian aluminium research establishment, would project manage the engineering and construction of the projects. ABB, the Swiss-Swedish group, would be consultant to the projects and, with Krupp, the German group, was studying whether Kazakhstan's bauxite output could be increased. Bauxite is the raw material for alumina.

Choppers give protection to Washington's cherry trees

Helicopters are used to keep rain off the state's \$40m cherry crop, writes Deborah Hargreaves

Helicopters hovering over fruit trees in Washington state at this time of year are not engaged in agricultural espionage but in protecting the region's \$40m cherry crop. Stemilt, a group of 230 growers in the Pacific north-west of the US, keeps a fleet of helicopters on hand in the spring when fruit is ripening. If it rains at this crucial stage in the cherry's development, the skin can split and the fruit be ruined.

"Any time of the day or night, if it rains, we fly the helicopters literally to blow the water away from the cherries," said Mr Tom Mathison, the company's president. "It is an expensive way of doing it, but the crop is so valuable, it is worth it."

Washington state cherries will be flown into Britain in the next couple of weeks as growers launch a promotional campaign to increase market awareness of their fruit. A press advertising campaign and TV features will stress the quality of the Washington cherries to deepen their niche in a highly competitive market for one of the few truly seasonal fruits.

Cherries are extremely difficult to transport and can deteriorate rapidly, they are also available for only six to seven weeks of the year. Over the past five years, Mr Mathison has invested in high-tech cooling and packing operations to ensure that the fruit retains its quality in transit. Cherries are picked at 42m and must reach a hydro-cooling station within two hours of harvest.



Cherries are picked at 42m and must reach a hydro-cooling station within two hours of harvest.

EBRD may back gold project after all

By Kenneth Gooding

The controversial Vasilkovskoye gold project in Kazakhstan might after all receive support from the European Bank of Reconstruction and Development, a bank official said yesterday.

The Kazakh government upset the EBRD last year after the bank started to organise a tendering process for the project which will involve the development of a mine on what is reputed to be one of the three biggest gold deposits in the world. This tendering process was cut short when the government awarded the venture to Placer Dome of Canada.

Placer Dome subsequently changed its mind about the merits of the project and withdrew and the government recently started another international tender. A consortium led by Teck Corporation, another Canadian group, and two companies associated with Mr Robert Friedland, the mining entrepreneur, said this week they had been "awarded the right to conduct exclusive negotiations on the terms of a licence to develop the Vasilkovskoye deposit," if the parties could agree by July 1.

Ms Catherine Brown of the EBRD's natural resources group said yesterday that Teck had not made any approaches to the bank about possible finance. But if such an approach was made it would be considered on its merits. The EBRD was still interested in supporting viable natural resource projects in Kazakhstan.

The Teck consortium will pay US\$85m in staged payments if its bid is finally accepted. Placer Dome paid a returnable, interest-free, deposit of \$35m to the Kazakh government. Mr Akexhan Kashegaldin, Kazakhstan's prime minister, suggested at a conference in London yesterday that this money had now been repaid.

Vasilkovskoye is located in northern Kazakhstan. Gold was first discovered there in the mid-1980s and the deposit is now estimated to contain 13.5m tonnes of gold worth about US\$5bn at today's prices. Teck will take 50 per cent of the venture. If the bid succeeds, and the other 50 per cent will be shared equally by the two companies associated with Mr Friedland: Bakyrchik Gold, which is quoted in London and is operator of the Bakyrchik mine in Kazakhstan, and First Dynasty Mines, a Canadian company.

Iberians seen leading EU grain recovery

A dramatic recovery in grain crops in Spain and Portugal after last year's drought could push the European Union harvest to high levels, says the Brussels-based farm lobby Copa said yesterday, reports Reuters from Paris.

Spanish estimates were being revised upwards and, coupled with the area sown in Portugal, suggested a recovery of up to 10m tonnes in the Iberian peninsula this year, about twice the increase some analysts had predicted during the winter.

"We still have to be prudent about the figures but it is possible that usable EU production could be a maximum of 190m, certainly in the high 180s," a Copa official said.

Most published estimates have put grain output in the 15-member bloc at about 182m tonnes this year, compared with 175m in 1995.

Big rise in Argentine wheat sowings forecast

Argentine farmers are heading for a big increase in wheat sowing this season, with analysts and traders mainly agreeing with a government forecast of a rise of 29 to 41 per cent, reports Reuters from Buenos Aires.

"If they can get the seed, I'd think 6.5m hectares is doable," one analyst said. That would mean a 29 per cent rise in area. The analyst said he was betting on 6.5m hectares being harvested. "That would give production of around 13m tonnes, but with a strong upside. Maybe up to 14m tonnes would be possible," he said.

Mr Osvaldo Casellas of the Cereals Elevators Association was more cautious, however. "We think the rise will be a bit lower, from 20 to 25 per cent," he said, while adding that moisture levels were "acceptable" and better than at the

same time last year. The analyst stressed that expanding wheat area would probably eat into sunflower area. He predicted a big drop in harvested sunflower area to 2.4m hectares in 1996-97, with likely seed output about 4.8m tonnes.

The harvested soyabean area would rise slightly to 6m hectares, he forecast, with potential production of 13m tonnes. He put the harvested maize area at about 3.2m hectares and output at about 12.5m tonnes. But, pre-season forecasts of potential production aside, the analyst warned that there were still plenty of potential problems. Not everyone was confident that last year's drought was actually over, he said, and the disappointing 1995-96 wheat crop of under 9m tonnes could mean a shortage of seed.

COMMODITIES PRICES

BASE METALS

Table with columns for metal type (Aluminum, Copper, Lead, Nickel, Zinc), price change, high, low, and open prices.

Precious Metals continued

Table with columns for metal type (Gold, Silver, Platinum, Palladium), price change, high, low, and open prices.

GRAINS AND OIL SEEDS

Table with columns for grain type (Wheat, Corn, Soybean, Maize), price change, high, low, and open prices.

SOFTS

Table with columns for soft commodity type (Cocoa, Coffee, Sugar), price change, high, low, and open prices.

MEAT AND LIVESTOCK

Table with columns for livestock type (Live Cattle, Live Hogs, Pork Bellies), price change, high, low, and open prices.

ENERGY

Table with columns for energy type (Crude Oil, Heating Oil, Natural Gas), price change, high, low, and open prices.

PRECIOUS METALS

Table with columns for metal type (Gold, Silver, Platinum, Palladium), price change, high, low, and open prices.

FUTURES DATA

Table with columns for futures type (Wool, Wheat, Corn, Soybean, Maize), price change, high, low, and open prices.

VOLUME DATA

Table with columns for volume type (Open Interest, Volume), price change, high, low, and open prices.

INDICES

Table with columns for index type (Reuters, CME, S&P 500), price change, high, low, and open prices.

JOTTER PAD

Table with columns for market type (Aluminum, Copper, Nickel, Zinc, Lead, Tin, Silver, Gold, Platinum, Palladium), price change, high, low, and open prices.

CROSSWORD

No.9,088 Set by ARMONIE

Crossword puzzle grid with clues for Across and Down.

ACROSS

- 1 There's nothing in between the passenger and the main road (12)
2 For the prophet it takes a month to get to the old city (6)
3 The Queen has abundant supplies of furs (7)
4 As naive as a day old chick (4,9)
5 Like a moustache - in full view (6,4,4)
6 Angel and demon contrived a happy medium (6,4)
7 One who shoores upsetting drinks in the grass (6)
8 Lords and Ladies continually come into leaf (7)
9 Member quietly consumed drink (4)
10 Carriage grown-up English count (10)
11 Wine makes Irish and Glen tipsey (8)
12 It's clear one's involved in a plot (5)
13 Expert made waves in the world of scholarship (7)
14 Live with Barbarians - and Saracens, what's more? (7)
15 Death knell? (8,4)
16 Musician may make it sharp (7)
17 The soldiers' standard restorative (8)
18 Part of the forearm of a powerful native (4)

DOWN

- 1 There's nothing in between the passenger and the main road (12)
2 For the prophet it takes a month to get to the old city (6)
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16 Musician may make it sharp (7)
17 The soldiers' standard restorative (8)
18 Part of the forearm of a powerful native (4)

Solution 9,087

CASINO ROYALE crossword puzzle grid with clues for Across and Down.

INTERNATIONAL CAPITAL MARKETS

Unemployment claims data boost Treasuries

By Maggie Urry in New York and Somer Iskander in London
Signs of weakening US economic growth, rumours of bond buying by the Federal Reserve and a hedge fund, and the UK base rate cut lifted US Treasury bond prices yesterday morning, bringing the yield on the 30-year long bond below 6.9 per cent once again.

benefited from surprise cuts in leading interest rates from the central banks of the UK, France and Denmark.
UK gilts ended the day sharply higher. Liffe's September long gilt future settled at 106 1/2, up 1/2. In the cash market, the 10-year benchmark gilt

In the cash market, the 10-year benchmark OAT, the 7 1/2 per cent bond due 2006, closed at 105.54, up 0.38. The 10-year yield spread of OATs over bonds widened by 1 basis point to 3 points.
The market had opened below Wednesday's levels and was slowly slipping until midday, when the central bank announced a 10 basis point cut in the intervention rate to 3.60 per cent after a regular Thursday meeting of its monetary policy council.

Asian issuance of convertibles and DRs set to rise

By Subramaniam Sharma
Convertible bond and depositary receipt issuance by companies in south and east Asia is set to recover this year, investment bankers say.
In the first five months of 1996, companies from Indonesia, South Korea, the Philippines, Taiwan and Thailand issued 36 convertibles raising \$2.45bn, against \$2.01bn in 1995, and over the next six months are expected to make more than 60 DR issues.

Strong demand and further cut in base rates lift sterling sector

By Connor Middelmann and Anthony Sharpe
The eurobond market was quiet yesterday, with dollar issuance slowing to a trickle ahead of today's release of US employment data.
The sterling sector was more active, however, supported by the Bank of England's quarter-point base rate cut and continuing demand for sterling bonds from continental European and UK investors.

the yield was inaccurate due to a systems error. As a result, the bonds' pricing was erroneous and was revised several hours later to 99.145.
Nevertheless, the lead managers said the deal was a success and reported strong demand from institutional investors, especially in the UK. The yield

NEW INTERNATIONAL BOND ISSUES

Table with columns: Issuer, Amount, Coupon, Price, Maturity, Fees, Spread, Book-runner. Includes entries for BNP Paribas, Citicorp, and others.

Liffe plans Swedish talks

By Richard Lapper
The London International Financial Futures and Options Exchange is to hold talks with Swedish securities dealers about the possible listing of a Swedish futures contract.
Life has no concrete plans but is thought to be interested in bond and money market products. It already lists German, Italian, Swiss and Japanese, as well as UK, contracts in these areas.

WORLD BOND PRICES

Table of benchmark government bonds for various countries including Australia, Canada, Denmark, France, Germany, Italy, Japan, Netherlands, Portugal, Spain, Sweden, UK Gilts, and US Treasury.

INTERNATIONAL BOND FUTURES (LIFE) D4250.000 points of 100%

Table of international bond futures for various countries including France, Germany, Italy, Japan, Netherlands, Portugal, Spain, Sweden, UK Gilts, and US Treasury.

FT-AGRIANES FIXED INTEREST INDICES

Table of FT-Agrianes fixed interest indices for various countries including Australia, Canada, Denmark, France, Germany, Italy, Japan, Netherlands, Portugal, Spain, Sweden, UK Gilts, and US Treasury.

GILT EDGED ACTIVITY INDICES

Table of gilt edged activity indices for various countries including Australia, Canada, Denmark, France, Germany, Italy, Japan, Netherlands, Portugal, Spain, Sweden, UK Gilts, and US Treasury.

US INTEREST RATES

Table of US interest rates for various terms including 1 month, 3 month, 6 month, 1 year, 2 year, 3 year, 5 year, and 10 year.

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES

Table of notional Italian government bond futures for various terms including 10 year, 15 year, and 20 year.

FT FIXED INTEREST INDICES

Table of FT fixed interest indices for various countries including Australia, Canada, Denmark, France, Germany, Italy, Japan, Netherlands, Portugal, Spain, Sweden, UK Gilts, and US Treasury.

FT/ASIA INTERNATIONAL BOND SERVICE

Table of FT/Asia international bond service for various countries including Australia, Canada, Denmark, France, Germany, Italy, Japan, Netherlands, Portugal, Spain, Sweden, UK Gilts, and US Treasury.

BOND FUTURES AND OPTIONS

Table of bond futures and options for various countries including France, Germany, Italy, Japan, Netherlands, Portugal, Spain, Sweden, UK Gilts, and US Treasury.

NOTIONAL SPANISH GOVT. BOND (MPT) FUTURES

Table of notional Spanish government bond futures for various terms including 10 year, 15 year, and 20 year.

FT FIXED INTEREST INDICES

Table of FT fixed interest indices for various countries including Australia, Canada, Denmark, France, Germany, Italy, Japan, Netherlands, Portugal, Spain, Sweden, UK Gilts, and US Treasury.

FT/ASIA INTERNATIONAL BOND SERVICE

Table of FT/Asia international bond service for various countries including Australia, Canada, Denmark, France, Germany, Italy, Japan, Netherlands, Portugal, Spain, Sweden, UK Gilts, and US Treasury.

UK GILTS PRICES

Table of UK gilts prices for various terms including 10 year, 15 year, and 20 year.

NOTIONAL GERMAN GOVT. BOND (BUND) FUTURES

Table of notional German government bond futures for various terms including 10 year, 15 year, and 20 year.

FT FIXED INTEREST INDICES

Table of FT fixed interest indices for various countries including Australia, Canada, Denmark, France, Germany, Italy, Japan, Netherlands, Portugal, Spain, Sweden, UK Gilts, and US Treasury.

FT/ASIA INTERNATIONAL BOND SERVICE

Table of FT/Asia international bond service for various countries including Australia, Canada, Denmark, France, Germany, Italy, Japan, Netherlands, Portugal, Spain, Sweden, UK Gilts, and US Treasury.

OTHER FIXED INTEREST

Table of other fixed interest for various countries including Australia, Canada, Denmark, France, Germany, Italy, Japan, Netherlands, Portugal, Spain, Sweden, UK Gilts, and US Treasury.

NOTIONAL JAPANESE GOVT. BOND (JGB) FUTURES

Table of notional Japanese government bond futures for various terms including 10 year, 15 year, and 20 year.

FT FIXED INTEREST INDICES

Table of FT fixed interest indices for various countries including Australia, Canada, Denmark, France, Germany, Italy, Japan, Netherlands, Portugal, Spain, Sweden, UK Gilts, and US Treasury.

FT/ASIA INTERNATIONAL BOND SERVICE

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Financial Times Ltd. 1996. Reproduction in whole or in part in any form not permitted without written consent. Data supplied by International Securities Market Association.

CURRENCIES AND MONEY

MARKETS REPORT

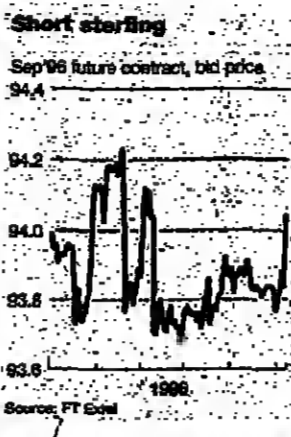
Pound falls after UK interest rate cut

By Graham Bowley

A surprise quarter point cut in the UK base rate yesterday pushed the pound lower on the foreign exchanges but short sterling markets rallied.

The pound closed at DM2.8678 from DM2.8675, while against the dollar it finished at \$1.5409 from \$1.5422.

The pound closed at DM2.8678 from DM2.8675, while against the dollar it finished at \$1.5409 from \$1.5422.



Short sterling. Sep 95 futures contract, bid price. Source: FT Data

Far from it being seen as an unsustainable last minute election bid, the market is going along with the base rate cut and it is not seeing it as a threat to inflation.

Mr Barrow said the move helped the perception that many European countries would not welcome further strengthening of their currencies against the D-Mark.

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Table: POUND SPOT FORWARD AGAINST THE POUND. Columns: Jun 8, 1m, 3m, 6m, 1y. Rows: 1m, 3m, 6m, 1y.

Table: DOLLAR SPOT FORWARD AGAINST THE DOLLAR. Columns: Jun 8, 1m, 3m, 6m, 1y. Rows: 1m, 3m, 6m, 1y.

Table: GROSS RATES AND DERIVATIVES. Exchange rates for various currencies against the pound.

Table: GROSS RATES AND DERIVATIVES. Exchange rates for various currencies against the dollar.

Table: UK INTEREST RATES. LONDON MONEY RATES for various terms.

Table: UK INTEREST RATES. BASE LENDING RATES for various banks.

Table: UK INTEREST RATES. SHORT STERLING OPTIONS (LIFFE) DM100 points of 100%.

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WORLD INTEREST RATES

Table: MONEY RATES. Interest rates for various countries and currencies.

Table: EURO CURRENCY INTEREST RATES. Interest rates for Euro currency instruments.

Table: EURO CURRENCY INTEREST RATES. Interest rates for Euro currency instruments.

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MARGINED FOREIGN EXCHANGE TRADING. Advertisement for currency trading services.

FUTURES AND OPTIONS TRADING. Advertisement for futures and options trading.

WANT TO KNOW A SECRET? Advertisement for a trading secret.

FUTURES - TAX FREE. Advertisement for tax-free futures trading.

MARKET-EYE. Advertisement for market analysis services.

De Beers Centenary Finance PLC. Advertisement for bond offerings.

Base Rate. Advertisement for Morgan Grenfell & Co. Limited.

APPOINTMENTS ADVERTISING. Advertisement for appointment services.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Table listing companies in the Alcoholic Beverages sector with columns for company name, price, and change.

CHEMICALS

Table listing companies in the Chemicals sector with columns for company name, price, and change.

ELECTRONIC & ELECTRICAL EQPT - Cont.

Table listing companies in the Electronic & Electrical Equipment sector (continued).

EXTRACTIVE INDUSTRIES - Cont.

Table listing companies in the Extractive Industries sector (continued).

HOUSEHOLD GOODS

Table listing companies in the Household Goods sector.

INVESTMENT TRUSTS - Cont.

Table listing investment trusts (continued).

BANKS, MERCHANT

Table listing banks and merchant companies.

BANKS, RETAIL

Table listing banks in the retail sector.

DISTRIBUTORS

Table listing distributor companies.

ENGINEERING

Table listing engineering companies.

BREWERIES, PUBS & REST

Table listing breweries, pubs, and restaurants.

INSURANCE

Table listing insurance companies.

BUILDING & CONSTRUCTION

Table listing building and construction companies.

DIVERSIFIED INDUSTRIALS

Table listing diversified industrial companies.

ENGINEERING - Cont.

Table listing engineering companies (continued).

FOOD PRODUCERS

Table listing food producer companies.

INVESTMENT TRUSTS

Table listing investment trusts.

Table listing companies in the Building & Construction sector (continued).

Table listing companies in the Diversified Industrials sector (continued).

TREACLE advertisement featuring an image of a treacle tin and a bowl of pudding. Text includes 'In a word, TREACLE', 'For effective solutions to company car funding and management...', '0800 269895', and 'ACL' logo.

ENGINEERING - Cont.

Table listing engineering companies (continued).

FOOD PRODUCERS - Cont.

Table listing food producer companies (continued).

ELECTRICITY

Table listing electricity companies.

ELECTRONIC & ELECTRICAL EQPT

Table listing electronic and electrical equipment companies.

ENGINEERING, VEHICLES

Table listing engineering and vehicle companies.

GAS DISTRIBUTION

Table listing gas distribution companies.

BUILDING MATS. & MERCHANTS

Table listing building materials and merchant companies.

ELECTRICITY

Table listing electricity companies (continued).

EXTRACTIVE INDUSTRIES

Table listing extractive industry companies.

HEALTH CARE

Table listing health care companies.

Table listing companies in the Household Goods sector (continued).

Table listing companies in the Insurance sector (continued).

Table listing companies in the Investment Trusts sector (continued).

Table listing companies in the Investment Trusts Split Capital sector.

Table listing investment trusts (continued).

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Table listing investment trusts (continued).

Table listing investment trusts (continued).

Table listing investment trusts (continued).

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INV TRUSTS SPLIT CAPITAL - Cont.

Table listing investment trusts with columns for Name, Price, and % Change.

LEISURE & HOTELS - Cont.

Table listing leisure and hotel companies with columns for Name, Price, and % Change.

OTHER FINANCIAL - Cont.

Table listing other financial companies with columns for Name, Price, and % Change.

PROPERTY - Cont.

Table listing property companies with columns for Name, Price, and % Change.

SUPPORT SERVICES - Cont.

Table listing support services companies with columns for Name, Price, and % Change.

AIM - Cont.

Table listing AIM companies with columns for Name, Price, and % Change.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts with columns for Name, Price, and % Change.

INVESTMENT COMPANIES

Table listing investment companies with columns for Name, Price, and % Change.

OIL EXPLORATION & PRODUCTION

Table listing oil exploration and production companies with columns for Name, Price, and % Change.

PHARMACEUTICALS - Cont.

Table listing pharmaceutical companies with columns for Name, Price, and % Change.

RETAILERS, GENERAL - Cont.

Table listing general retailers with columns for Name, Price, and % Change.

TOBACCO

Table listing tobacco companies with columns for Name, Price, and % Change.

TRANSPORT

Table listing transport companies with columns for Name, Price, and % Change.

WATER

Table listing water companies with columns for Name, Price, and % Change.

AIM

Table listing AIM companies with columns for Name, Price, and % Change.

AM

Table listing AM companies with columns for Name, Price, and % Change.

AMERICANS

Table listing American companies with columns for Name, Price, and % Change.

CANADIANS

Table listing Canadian companies with columns for Name, Price, and % Change.

SOUTH AFRICANS

Table listing South African companies with columns for Name, Price, and % Change.

Advertisement for Rockwell: 'By meeting customer needs, Rockwell has become a world leader in components and systems for cars, trucks, and trailers. Rockwell logo and text.

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Index, a member of the Financial Times Group. Contains detailed information about the service, including symbols, calculations, and contact details.

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company associated with FT. Please quote the code FTFR25. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports will be sent the next working day, subject to availability.

Handwritten text in Arabic script: 'مكتبة الامارات'

FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 673 4378 for more details.

Table of fund prices and performance data, including columns for fund name, price, and change. Includes sections for various fund categories like Equity, Bond, and Money Market.

OTHER OFFSHORE FUNDS

Table of other offshore funds, listing fund names, prices, and performance metrics. Includes a sub-section for 'OFFSHORE INSURANCES'.

OFFSHORE INSURANCES

Table of offshore insurance products, detailing policy information, premiums, and benefits.

MANAGED FUNDS NOTE: This is a general information document and does not constitute an offer of any financial product...

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LONDON STOCK EXCHANGE

MARKET REPORT

Equities take little cheer from surprise rate cut

By Steve Thompson, UK Stock Market Editor

A quarter of a percentage point reduction in UK interest rates... The FT-SE 100 index was 6,509.30 at 3.760.3.

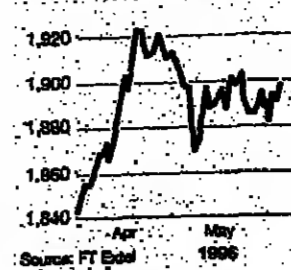
heavily influenced by events in the US, where the Dow Jones Industrial Average initially made rapid progress, moving up 26 points, before coming off quickly in subsequent trading and progressing again.

latter have been badly hit over the past couple of weeks amid worries that inflationary pressures could be building up. Mr Ian Harnett, equity market strategist at SGST, the French-owned securities house, and one of the few observers to have highlighted the potential for a rate cut, insisted that, if UK economic growth remains weak, there will be more reductions.

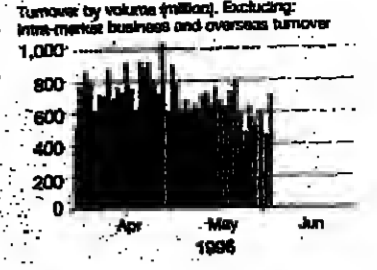
The FT-SE 100 index was 6,509.30 at 3.760.3. The FT-SE 100 index was 6,509.30 at 3.760.3. The FT-SE 100 index was 6,509.30 at 3.760.3.

Turnover in equities at 8pm came out at 855.3m shares, 41.7% below the 1.28bn shares traded on Wednesday.

FT-SE-A All-Share Index



Equity shares traded



Indices and ratios

Table with 2 columns: Index Name and Value. Includes FT-SE 100, FT-SE All-Share, FT Ordinary Index, etc.

Best performing sectors

Table listing best performing sectors: Engineering, Vehicles, Building, etc.

Worst performing sectors

Table listing worst performing sectors: Extractive Inds, Tobacco, Retailers, etc.

FUTURES AND OPTIONS

Table with columns: Index Name, Open, Settle, Change, High, Low, etc.

MARKET REPORTERS

Peter John, Joel Kibben, Jeffrey Brown, Lisa Wood.

LONDON RECENT ISSUES: EQUITIES

Table listing recent equity issues with columns: Issue Name, Price, etc.

FT GOLD MINES INDEX

Table listing gold mines index data.

FT-SE Actuarial Share Indices

Table listing FT-SE Actuarial Share Indices.

The UK Series

Large table listing various UK series indices.

Hourly movements

Table showing hourly movements in indices.

FT-SE Actuarial 350 Industry baskets

Table listing FT-SE Actuarial 350 Industry baskets.

Approval hopes lift Beecham

SmithKline Beecham rose as word leaked into the market that the pharmaceutical group was poised to resolve an impasse over one of its key drugs.

Ladbroke declines

US speculation hit UK leisure and gaming company Ladbroke, sending the shares 5 1/2% lower to 186 1/4p.

Midland hints

Midland Independent Newspapers rose 3 1/2% as a big stake sale prompted speculation of a possible takeover.

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Ladbroke declines

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Trading Volume

Table listing trading volume for major stocks.

Notice of Redemption to Holders of Series I of RSVP MAYFAIR LIMITED U.S. \$79,000,000

NOTICE OF PAYMENT to Holders of OLYMPIA & YORK EURODEBITO LIMITED 11 1/2% Debentures Due November 2, 1992

US\$ 10,000,000,000 EURO MEDIUM TERM NOTE PROGRAMME OF SOCIETE GENERALE

NOTICE OF EARLY REDEMPTION COLLATERALISED MORTGAGE SECURITIES (NO 11) PLC

Canadian Pacific Limited Notice of Record Date

Bank of Greece US \$60,000,000 Floating Rate Notes due 1996

MARGINED CURRENCY DEALING Launion

WORLD STOCK MARKETS

Main table of world stock markets including sections for Europe (Austria, Germany, France, etc.), Asia (Japan, Korea, etc.), Pacific (Australia, New Zealand, etc.), and Africa (South Africa). Each section lists various stocks with their prices and changes.

Advertisement for Peregrine Global Distribution. Text: 'Asia Focus. Global Distribution. Peregrine has the world's largest team dedicated to the international distribution of Asian securities.' Includes the Peregrine logo.

INDICES section containing tables for various regional and global indices such as the Nikkei 225, Dow Jones, and others, showing their values and percentage changes.

US INDICES section containing tables for major US market indices including the Dow Jones Industrial Average, S&P 500, and NASDAQ.

US STOCKS section listing prices and changes for various US equities, including major companies like IBM, Microsoft, and General Electric.

INTERNATIONAL STOCKS section listing prices and changes for stocks from various international markets, including the UK, Canada, and Australia.

AFRICA section listing prices and changes for stocks from African markets, primarily focusing on South Africa.

INDEX FUTURES section listing prices and changes for various index futures contracts.

INDEX FUTURES section (continued) listing prices and changes for additional index futures contracts.

US STOCKS section (continued) listing prices and changes for more US equities.

INTERNATIONAL STOCKS section (continued) listing prices and changes for more international equities.

AFRICA section (continued) listing prices and changes for more African equities.

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NEW YORK STOCK EXCHANGE PRICES

Main table containing stock prices, organized into columns with headers like 'Symbol', 'Price', and 'Change'. Includes various stock tickers and their corresponding market data.

Advertisement for Hewlett-Packard featuring the slogan 'If the business decisions are yours, the computer system should be ours.' and the HP logo.

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Continued on next page

NYSE PRICES

Table of NYSE stock prices including columns for stock name, price, and change. Includes sub-sections like 'Continued from previous page' and 'T'.

Table of NYSE stock prices including columns for stock name, price, and change. Includes sub-sections like 'U' and 'V'.

Table of NYSE stock prices including columns for stock name, price, and change. Includes sub-sections like 'W' and 'X'.

Table of NYSE stock prices including columns for stock name, price, and change. Includes sub-sections like 'Y' and 'Z'.

Table of NYSE stock prices including columns for stock name, price, and change. Includes sub-sections like 'A' and 'B'.

Table of NYSE stock prices including columns for stock name, price, and change. Includes sub-sections like 'C' and 'D'.

Table of NYSE stock prices including columns for stock name, price, and change. Includes sub-sections like 'E' and 'F'.

Table of NYSE stock prices including columns for stock name, price, and change. Includes sub-sections like 'G' and 'H'.

Table of NYSE stock prices including columns for stock name, price, and change. Includes sub-sections like 'I' and 'J'.

Table of NYSE stock prices including columns for stock name, price, and change. Includes sub-sections like 'K' and 'L'.

Table of NYSE stock prices including columns for stock name, price, and change. Includes sub-sections like 'M' and 'N'.

Table of NYSE stock prices including columns for stock name, price, and change. Includes sub-sections like 'O' and 'P'.

Table of NYSE stock prices including columns for stock name, price, and change. Includes sub-sections like 'Q' and 'R'.

Table of NYSE stock prices including columns for stock name, price, and change. Includes sub-sections like 'S' and 'T'.

AMEX PRICES

Table of AMEX stock prices including columns for stock name, price, and change. Includes sub-sections like 'A' and 'B'.

Table of AMEX stock prices including columns for stock name, price, and change. Includes sub-sections like 'C' and 'D'.

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Table of AMEX stock prices including columns for stock name, price, and change. Includes sub-sections like 'M' and 'N'.

Advertisement for 'Beugium' featuring the text 'Have your FT hand delivered in Belgium.' and 'Gain the edge over your competitors by having the Financial Times delivered to your home or office...'

NASDAQ NATIONAL MARKET

4 pm close June 6

Table of NASDAQ stock prices including columns for stock name, price, and change. Includes sub-sections like 'A' and 'B'.

Table of NASDAQ stock prices including columns for stock name, price, and change. Includes sub-sections like 'C' and 'D'.

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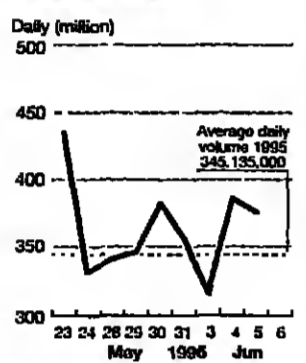
Table of NASDAQ stock prices including columns for stock name, price, and change. Includes sub-sections like 'E' and 'F'.

AMERICA Dow see-saws after a tech stocks retreat

Wall Street

A bright start to US stock trading soon clouded over and by mid-session the Dow Jones Industrial Average was seeing around its opening level.

NYSE volume



weighted towards the technology sectors, fell 5.60 to 1,243.65. The broader indices were lower, with the Standard & Poor's 500 down 0.07 at 678.37 and the American Stock Exchange composite 3.69 lower at 805.18.

Flying start for Astra

A fresh surge in the Argentine oil company, Astra, got trade off to a positive start in Buenos Aires, setting the stage for an extension of Wednesday's rally.

S African industrials ahead

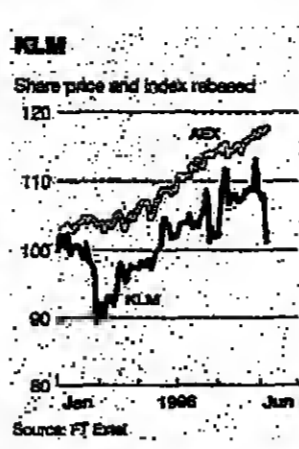
Johannesburg was mixed, with industrials struggling higher in afternoon trade and golds sinking on the tumbling bullion price.

FT/SE ACTUARIES WORLD INDICES

Table with columns for Regional and World Indices, including US, Europe, Asia, and other global markets. It shows index values, changes, and percentages for various regions.

EUROPE Bourses encouraged by further interest rate cuts

Equities hit a second consecutive closing high in AMSTERDAM in spite of the public holiday in Germany, which thinned turnover, and a fairly cautious domestic tone which left 11 AEX constituents higher, 11 lower and three unchanged.



PARIS was encouraged by the Bank of France's decision to join the round of interest rate cuts. The CAC-40 index closed 17.87 higher at 2,132.22, in turnover of FF4,828bn.

ASIA PACIFIC

Nikkei awaits tankan as Hong Kong gains 1.2%

Many investors took to the sidelines at the approach of today's tankan, the Bank of Japan's quarterly survey of business confidence, and both share prices and trading volume fell away.



Y11 to Y508 in 8.4m shares deal, bought as a leg up in the automobile sector; Asahi Chemical added Y14 at Y806 in Y3.4m volume following news that one of its drugs, developed for treating cerebral haemorrhage, had shown anti-Aids properties in early laboratory tests.

Roundup

The overnight strength of US stocks and bonds propelled HONG KONG 1.2 per cent higher, and the Hang Seng index ended 133.32 up at 11,225.83 in improved turnover of HK\$4.7bn.

Roundup

Among leading index stocks, HSBC rose HK\$1 to HK\$118. Bank of East Asia added 55 cents at HK\$26.55 on expectations of a spin-off of its United Chinese Bank arm, and Swire A limited 75 cents to HK\$77.

spired that its Rhone-Poulenc Rorer pharmaceuticals arm was selling some \$400m in US assets to Medeva, of the UK. The assets were obtained with the 1995 acquisition of Britain's Pisons; RPR has sold \$636m in Pisons assets so far.

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FT-SE Actuaries Share Indices

Table showing FT-SE Actuaries Share Indices for various regions: Europe, Asia, and World. It includes columns for index value, change, and percentage.

THE EUROPEAN SERIES

Table showing The European Series indices for various countries: France, Germany, Italy, Spain, and UK. It includes columns for index value, change, and percentage.

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ence, added DKR15, or 13.5 per cent, stronger at DKR126. EIKSINKI saw much disappointment than satisfaction in the day's tertial report: Amer, the sporting goods manufacturer, fell FM10, or 11.9 per cent, to FM74 and Outokumpu, the metals and mining group, declined by FM2 to FM81.

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Legal notice and tender offer for Johnston Group PLC. Includes sections for 'Tender Offer by HSBC SAMUEL MONTAGU', 'Terms and conditions of the Tender Offer', and 'Announcement of the Tender Offer'. It details the offer of 2,935,435 ordinary shares at 500p each.

THE BAHAMAS

Back to a straight and narrow path

The government is working hard to lure back the wealthy tourists and foreign investors that were driven away from the islands by drugs traders, writes Stephen Fidler

It's better in the Bahamas. There is a broad consensus, at least among business leaders and investors, that at last the old slog of the country's tourism industry rings true.

Many of them mark the turning point of the country's fortunes as the August 1993 general election which ousted the prime minister of 25 years, Sir Lynden Pindling, and his Progressive Liberal Party (PLP) from office.

Sir Lynden's legacy has been an ambiguous one. Seen by many Bahamians as the father of the nation, he brought it to independence from Britain in 1973. He took the country's politics out of the hands of the so-called Bay Street Boys, the group of mainly white businessmen that ran the country, and into the hands of the black majority that constitutes 85 per cent of the population. And he oversaw a significant improvement in its standard of living, to the extent that in 1988 it became too rich to qualify for World Bank loans. Per capita income is now officially over \$11,000 a year.

Yet during the 1980s a fragile state found itself at the mercy of drug traffickers. They used the country's 700 islands and 2,000 cays lying a few score miles off the Florida coast as a platform to ship an estimated three-quarters of US cocaine supplies.

His government became, in the words of one foreign resident, "sloppy and corrupt". Subsequent official inquiries into the running of state-owned companies found gross mismanagement and corruption. During the PLP's period in office, the Bahamas' dominant industry, tourism, slid

down-market, while the country's sleazy reputation led to a flight by some financial services companies from the islands.

It took a two-year recession in which the economy contracted by some 6 per cent to oust Sir Lynden and his formidable grassroots party from office in 1992. And it was a former PLP colleague, Mr Hubert Ingraham, who took over the premiership as head of the Free National Movement.

Mr Ingraham, who left the PLP in 1986 after disputes with the party over corruption, had won a reputation for integrity which has survived his first 3 1/2 years in office.

He has gone on reducing the scale of the country's drugs problem, continuing the close co-operation with the US begun by the Pindling government in its later years. Helped by a US effort in the Caribbean that has made Mexico the transit country of choice for most cocaine traffickers, it is guessed that no more than 10-15 per cent of illegal drugs shipments to the US now go through the islands.

Mr Ingraham also began courting investment from the private sector and started to deregulate the economy, simplifying and increasing the transparency of foreign investment approvals. The approach has been successful so far. Mr Badrul Haque, an economist with the Inter-American Development Bank, (IADB) estimates for the next few years foreign investment could amount to an annual \$300m or 10 per cent of gross domestic product.

It has already brought important new development of a tourist sector that employs 50 per cent of the country's workforce, attracting names such as Disney and Sun International to the islands. Helped by this investment, the total number of stopover visitors rose 5.4 per cent last year to 1.6m and room rates grew too.

It has also spurred a development boom on the island of Grand Bahama, bringing hopes of new employment opportunities and greater diversification of the services-dominated economy. "We've been removing many of the impediments to doing business in the Bahamas," says Mr Ingraham, "and we will go further."

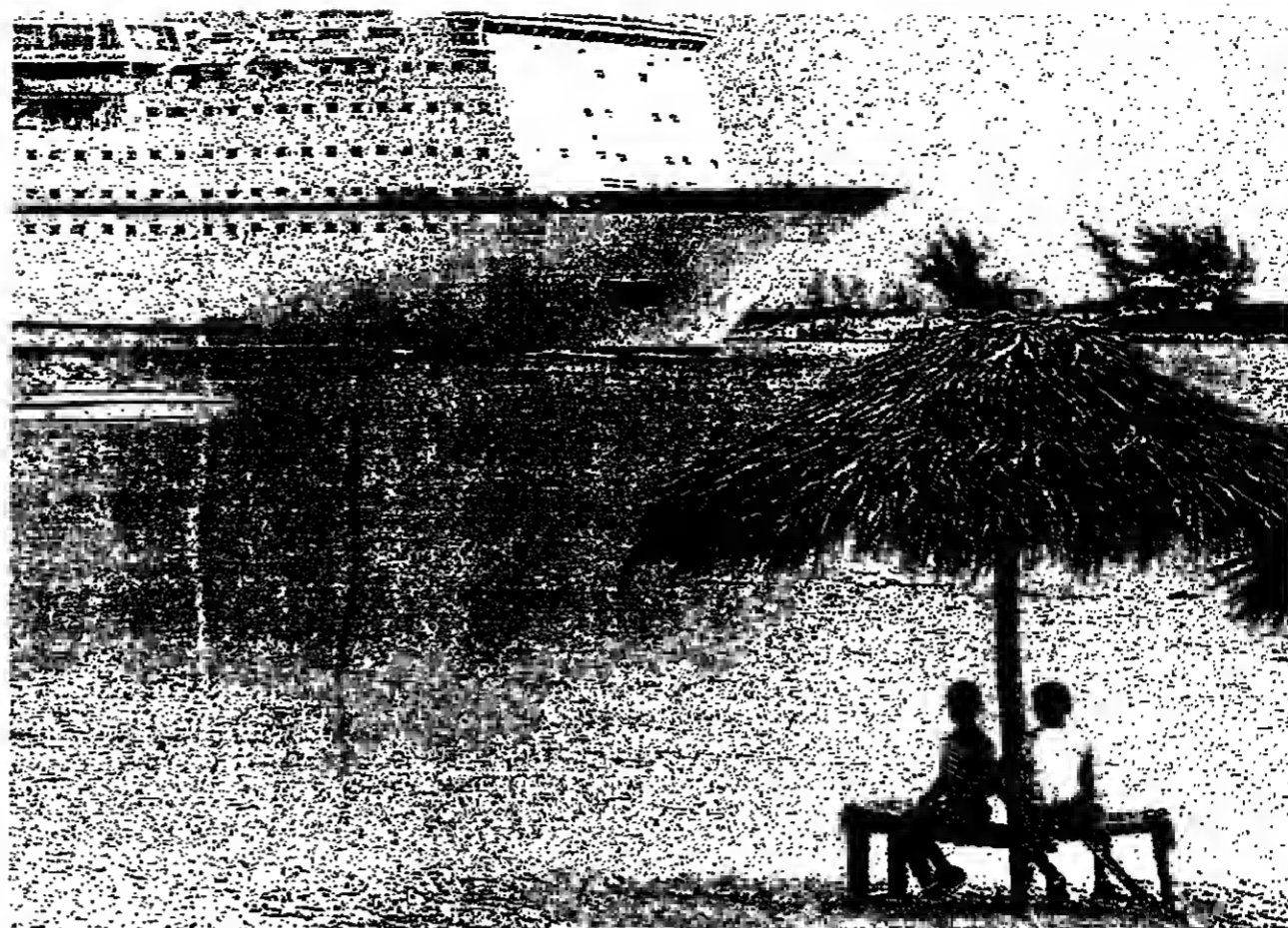
Yet the PLP, now in opposition, questions whether this has done much to help the average family. Mr Bernard Nottage, deputy leader of the party, argues: "Some Bahamians are better off, but most are not." He claims that Mr Ingraham has given away too many tax concessions to attract investors.

The government has divested itself of all but one of the hotels acquired by the Pindling government and sold off other stakes including the Bank of the Bahamas. It has allowed competition in radio and television broadcasting and domestic air services, as well as in the water supply business.

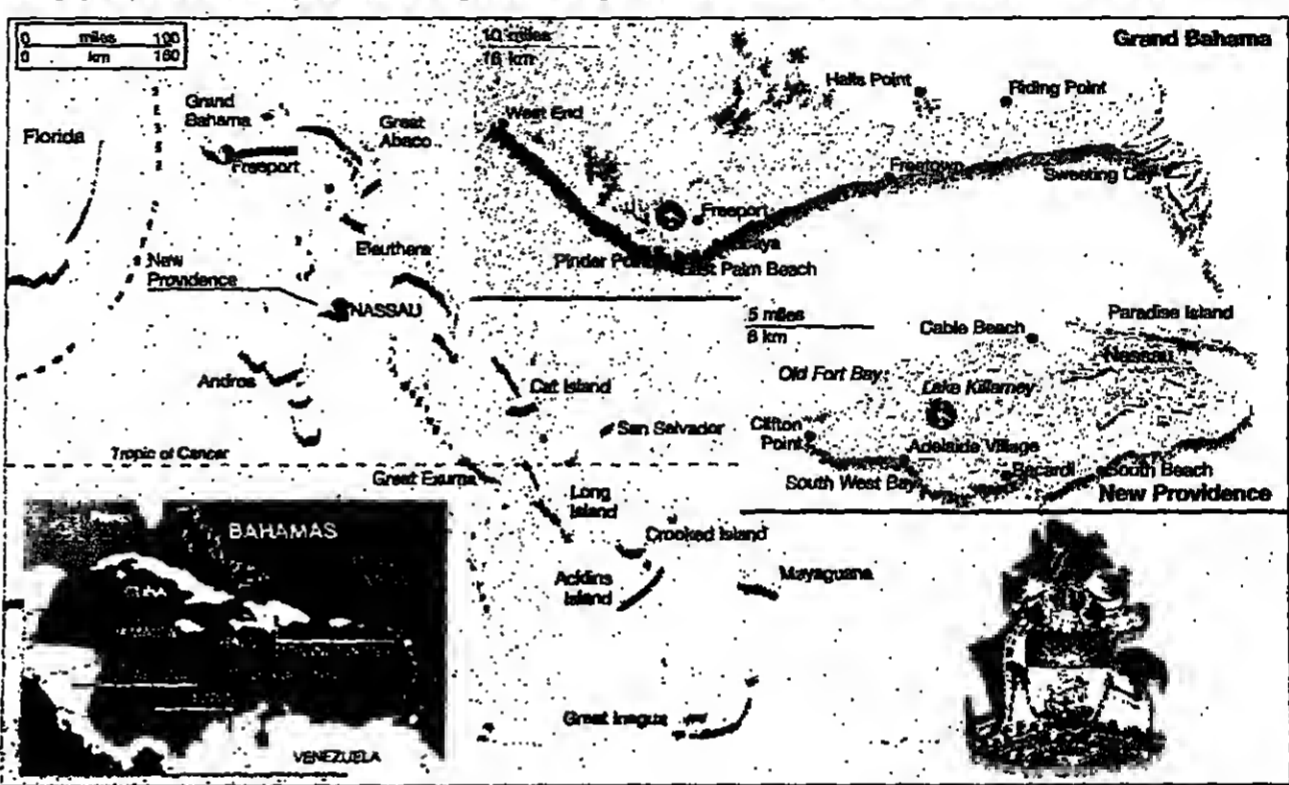
If it wins another five-year term in the elections scheduled over the next 18 months, it is expected to sell off state-owned enterprises, in particular the electricity company BEC and the telephone company, Batelco. Mr William Allen, the finance minister, referring to complaints about the high cost of energy and telephones in the country, says: "Batelco is not going to hold this country to ransom, nor is BEC."

Yet privatisation would have implications for employment.

Continued on next page



Selling up-market: the Bahamian government is trying to attract foreign investment to increase the country's appeal to wealthy tourists



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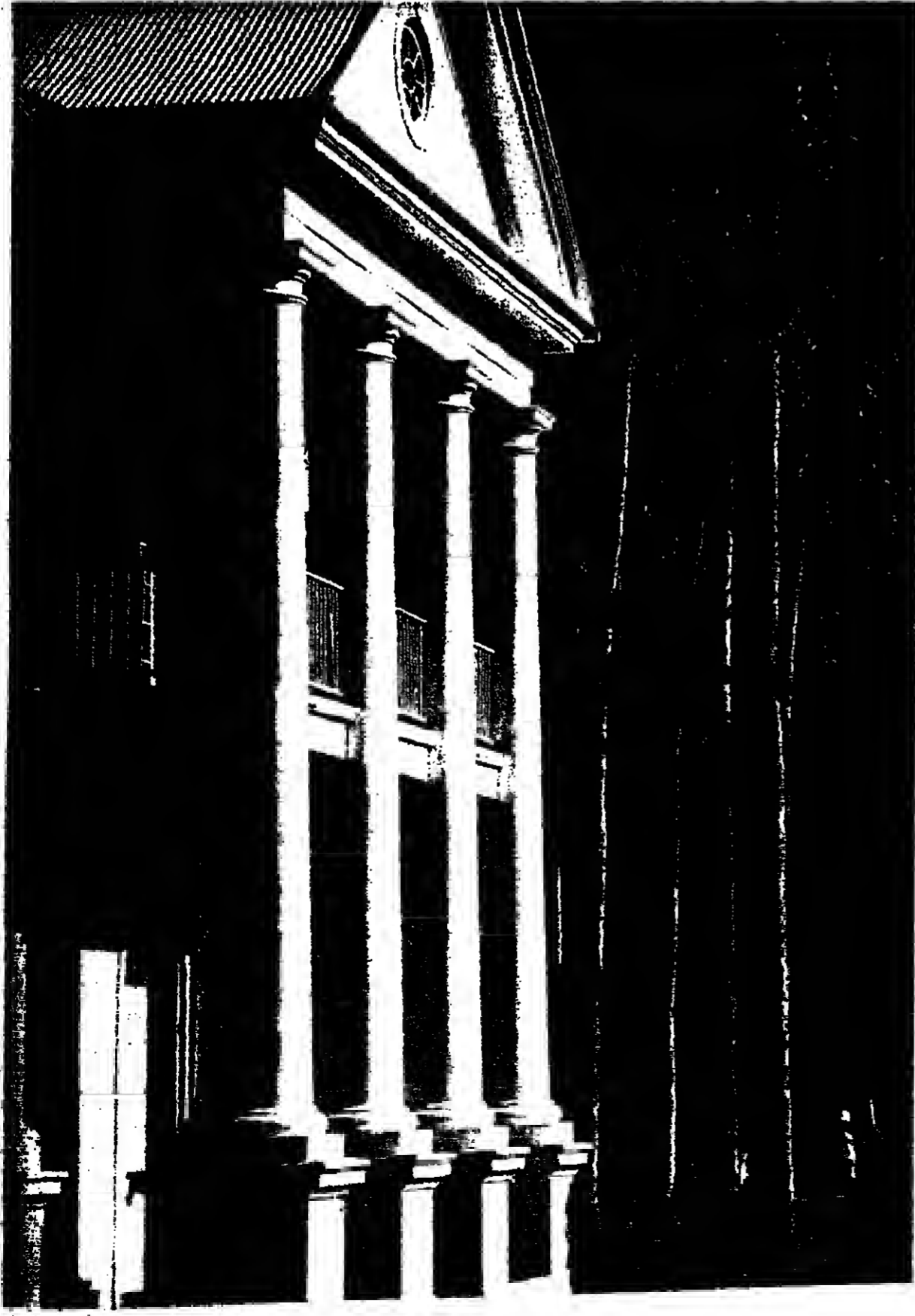


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2 THE BAHAMAS

Economics and finance

Public sector needs revamp

Continued from previous page

and will be opposed by powerful trade unions. After tourism, the government is the next largest employer, accounting for 20 per cent of jobs though only 11 per cent of output. Says Mr James Smith, governor of the central bank: "Privatisation is a double-edged sword. Government corporations are very overstuffed but there are very underdeveloped social services and safety nets."

A modernisation of the rest of the public sector is also needed, according to the IADB. Important problems, such as the discharge of sewage which threatens the country's tourism industry, are not being well managed. Efficiency is low, with 58 per cent of spending going on wages and salaries. A further 13 per cent is devoted to interest payments, leaving less than 30 per cent to be spent elsewhere.

The government also faces the task of restructuring the anachronistic way it finances itself, in the absence of income or sales tax. The majority of revenue is raised through import duties. Revenue losses due to poor administration are estimated to be as high as 25-30 per cent of the potential.

The system, together with quotas and other non-tariff restrictions on imports imposed by the government, which is not a member of the World Trade Organisation nor of GATT, is responsible for all kinds of economic distortions. It means too that the country has far to go before it can contemplate membership of any Free Trade Area of the Americas as proposed by US president Bill Clinton at the Miami summit of leaders from the western hemisphere in December 1994.

It will also be a long time before the legacy of sleaze is erased, particularly in the financial services sector, which is responsible for an estimated fifth of GDP though only 3.6 per cent of employment.

Mr Allen, having returned with a government delegation

from a trip to Latin America, was surprised by the reaction. "Our reputation has taken a bit of a hit in the past and we discovered down in Argentina that there was not a high regard for the quality of our regulation. This was disappointing."

The government is working to improve the Bahamas' image and position in the highly competitive offshore financial services business. Late last year it passed tougher money laundering legislation and a securities industry act that envisages the creation for the first time of a capital market, including a stock exchange.

Yet despite these improvements, some financiers see a limited future for tax havens and question their long-term viability. At the very least all offshore financial centres will depend heavily on the goodwill of other governments, particularly of the US. Unfortunately the long-term prospects for growth in tourism are no clearer, given the competition from the Caribbean and the inevitable future emergence of Cuba as a direct competitor for visitors from the US.

The Bahamas, population 270,000, also faces issues particular to small nations trying to create employment in an era of intensified international competition. Questions of economies of scale are dramatised by the remoteness of some of the country's 40 populated islands, many of which are poor. Indeed, the high average income of the Bahamas hides poverty which has been exacerbated by Haitian migration and the breakdown of the traditional family.

For now, though, optimism prevails. The government is credited with tackling problems in a systematic and rational way. If this approach continues beyond the election to be held some time in the next 18 months, the economy can according to Mr Haque of the IADB "be expected to grow at its historical level of 5 to 6 per cent annually on a sustainable basis."

The economy: by Stephen Fidler

Investment raises hopes

The government hopes a sell-off of state assets will boost the country's tourism stock

Growth has proved elusive for the Bahamas in the 1990s. Recession in 1991 and 1992 has meant the economy has yet to recover to 1989 levels, according to official figures.

Much of this is explained by developments in the tourist industry, responsible for half of gross domestic product and 60 per cent of employment. As competition from other parts of the Caribbean intensified, the Bahamian tourist industry allowed its capital stock to deteriorate. Now with new investment, prospects are improving.

Mr James Smith, governor of the central bank, says: "We are coming out of the economic doldrums that have been with us for the past few years." In a recent report, Mr Badrul Haque of the InterAmerican Development Bank, agrees: "The short and medium term economic prospects are favourable. The economy could achieve an annual growth rate

of 3-4 per cent in 1996 and beyond."

For 1996, that forecast may be optimistic. Mr William Allen, the finance minister admits: "We are not going to see robust growth for a while." However, with the expected positive contribution from tourism, development at Freeport on Grand Bahama and what he calls the new dimension to the offshore financial centre. "We are building an economy with more depth that will be able to grow at 4.5 to 5 per cent again. That's the kind of economy that we are seeking," he says.

These investments contributed to a swelling of the country's current account deficit from 3.5 per cent in 1994 to 9 per cent of gross domestic product last year. Mr Haque argues this is not too worrying because it mostly reflects investment that should provide future flows of foreign exchange. Such foreign investments can be expected to continue at some \$300m a year, or 10 per cent of GDP, for the next few years. Total investment in the economy reached about 22.6 per cent of GDP last year. However, savings have been weak at about 10 per cent of

GDP through the 1990s and there is a strong need to raise this rate, Mr Haque says.

One aim of the government is to improve balance in an economy that has suffered a type of "Dutch disease", caused by the domination of one industry and government policies that have weakened the ability of other sectors to compete internationally. This has meant, among other things, that for every \$1 spent by a tourist in the Bahamas, 80 cents is spent on imports.

Another objective, says Mr Allen, is to reduce the size of the government, which is large for a country with no income tax. "The government is spending 20 per cent of national income. We'd like to bring that down to 16 per cent."

As a step toward achieving better balance, governments have since 1981 brought down the budget deficit - in part because state-owned enterprises have reduced their losses and cut down on capital spending - allowing for reduced payment arrears on goods and services bought during the recession.

This year the consolidated public sector deficit will be less than 1 per cent of GDP, says Mr Allen. Mr Smith at the central bank says: "It was the rate of growth of the budget deficit that was of concern, even though the absolute level was less than 3 per cent of GDP which is not out of line with international standards." The Bahamas has to be especially cautious with deficit financing because of the parity between the Bahamian and US dollar. "There is no automatic exchange rate adjustment" such as an Argentine-style currency board, he points out.

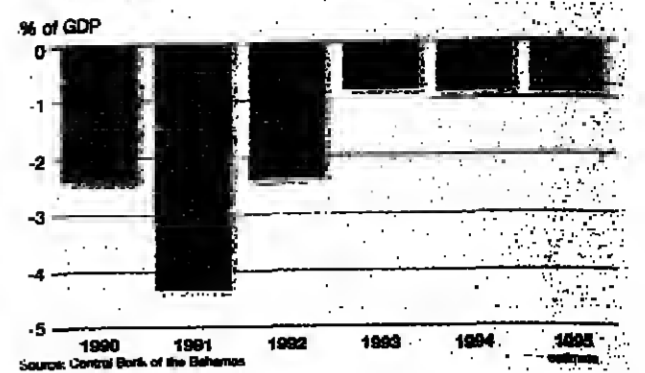
Reducing the deficit has allowed the government to improve its debt position. Foreign currency debt of the public sector fell to \$382m at the end of last year, down from the peak of \$453m two years earlier. Total national debt, including domestic debt and contingent liabilities of \$322m was \$1.48bn at the end of last year.

The government, responsible for a fifth of all employment and 11 per cent of GDP, has already divested itself of all but one of the hotels acquired by its predecessor. If it wins a second term it is expected to privatise the main utilities, most of which are overstuffed. This should improve the prospects for a more sustainable budget balance while enhancing investment in important infrastructure.

The government also suffers heavy non-payment of certain taxes, in particular property tax. A more fundamental need, according to the International Monetary Fund and others, is for the administration to totally overhaul its revenue raising methods, which depend heavily on collection of import duties.

Some two-thirds of all government revenue is raised through import taxes and stamp taxes on imports. The external trade regime, says the InterAmerican Development Bank in a report last year, "consists of convoluted trade taxes, non-tariff barriers and a large number of tariff exemption acts." There are hundreds of applicable rates and is different trade taxes. The effect is to add between 15 and 30 per cent to international prices, though for some items the additional costs run

Central government current balance



Source: Central Bank of the Bahamas

several times bigger, the report says. For example there is a 770 per cent effective import duty on poultry - but the authorities continue to receive requests for import licences "which suggests that consumers bear the cost of a protective tariff system that is not fostering domestic production."

In talking about reform, the government is cautious. Income tax is a shibboleth for all politicians. On July 1, the government is scheduled to reduce the number of customs duty rates from 150 to 29, with a view to reducing it eventually to five. The prime minister, Mr Hubert Ingraham, says: "This process will take several years. It should allow us to arrive at the point where if a future government wishes to take a decision about tax reform then it will be able to do it." However, he adds he is not so inclined.

There is another issue that has arisen in the last two years: the Free Trade Area of the Americas proposed at the December 1994 Miami summit of western hemisphere heads of state by US President Bill Clinton. The proposal is a long way from coming to fruition. If it ever does, however, the Bahamas is, because of its tax regime, probably further away than any other country except Cuba from the free trade deal.

Mr Allen, the finance minister, says the government is "keeping a watching brief" on the development of the FTAA. He concedes this will probably entail the imposition of a value added tax in future: "We shall probably have to do something like that in any event. If we are successful in creating linkages between the tourist industry and the domestic economy we can have a lower VAT rate." That is for the future. In the

meantime, the government will continue with its system of exceptions for capital goods imports, such as the expected sharp reduction or abolition of customs duties on imports of computers and software. This is meant to encourage the establishment of banking back office functions. Barclays Bank has plans to establish just such an office in the Bahamas covering the Caribbean, and, says the prime minister, Citibank is considering a similar move.

So far, according to the official figures, the economic changes in the last few years have helped to reduce unemployment. While a political controversy rages about whether the statistics are reflecting the facts - such figures are hard to obtain in a country without income tax or sales tax returns - the official unemployment rate has fallen to 10.7 per cent from 14.8 per cent.

This is almost certainly an underestimate, and does not include those discouraged from seeking work. With around 5,000 young people coming on to the jobs market every year, creating employment will be a challenge for the government, particularly if, as is promised, it privatises state-owned enterprises and moves on to shrink the overblown bureaucracy. The task will not be made any easier by the rigidity of the labour market, and industry-wide wage negotiations that do not reflect productivity in the main industry - tourism.

Mr Allen argues that between 1989 and 1992, 10,000 jobs were lost in the Bahamas. But he tries to put employment issues in perspective: "There is a labour force of 160,000. To be a full employment economy doesn't require more than 20,000 jobs. We don't require massive things to happen."

Selected indicators of Bahamian economic activity (% change)

	1993	1994	1995
Tourist days	4.0	-0.8	-0.6
Air arrivals	8.1	0.5	-1.1
Sea arrivals	-4.3	-10.2	-9.1
Construction expenditure ¹	-4.5	23.3	-14.7
Import duties ²	-6.3	18.6	-1.7
Exports of selected manufacturers ³	-25.5	-14.7	-2.9
Retail price index	2.7	1.3	2.2

¹ Excludes the US construction cost index. ² Excludes the US export unit value index. ³ Seven months to November. Source: The Central Bank of the Bahamas

The Bahamas' imports from the US (\$,000)

Product	1994	1993
Petroleum and related products	96,386	101,781
Machinery	78,584	58,984
Transport equipment	78,131	78,077
Chemicals	44,402	52,399
Fruit, vegetables and related products	26,094	24,640
Wood, cork and related products	26,082	25,154
Metal manufactures	17,138	17,399
Paper and related products	15,151	15,318
Cereals and related products	11,512	13,422
Meat and related products	11,223	10,214
Total, including others	659,163	696,997

Note: Imports of 2007-201, Jan-Nov 1996 (2002-201, Jan-Nov 1994). Source: Economist Intelligence Unit

The Bahamas' exports to the US (\$,000)

Product	1994	1993
Petroleum and related products	58,857	91,659
Chemicals	48,876	198,154
Fish and related products	38,914	35,387
Crude minerals, fertilisers	34,025	28,069
Fruit, vegetable and related products	3,119	3,411
Beverages	2,782	2,634
Metaliferous ores and scrap	253	178
Clothing	150	88
Sugar and related products	5	147
Total, including others	219,508	386,411

Note: Exports of 3157m, Jan-Nov 1996 (2201m, Jan-Nov 1994). Source: Economist Intelligence Unit




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Economics and finance

THE BAHAMAS 3

Banking and finance: by Richard Lapper

New rules, new status and new business

The government is trying to develop the islands as the region's leading investment centre. Bright new office buildings overlooking the Nassau waterfront, Bahamian bankers are becoming more and more confident about the prospects for their offshore financial sector. Private banking and trust business is flowing back to the Bahamas at a steady rate, with the number of mutual funds rising quickly. Latin America's newly liberalised economies are generating a stream of business. And relations with the government of Mr Hubert Ingraham could not be much better.

"There are not many centres where there is this degree of co-operation between the public and private sectors," says Mr Bill Jennings, deputy chairman of Coutts and Co and a member of a joint private-sector government team that, over the past eight months, has visited Europe, Latin America and Asia as part of efforts to drum up business. It is all in sharp contrast to the recent past. Under the previous administration of Sir

Lynden Pindling, many government policies and practices were heavy-handed at best, leading a string of banks and insurance companies to leave the islands in the 1970s. Subsequently, the impact of the drugs trade, including rising crime and allegations of official involvement and widespread corruption, complicated day-to-day life for bankers in the Bahamas and tarnished the islands' reputation.

During the 1980s, the Cayman Islands won the majority of new international private banking business. The Bahamas' share of the international offshore market among the main developing country centres fell from 49 per cent in 1976 (when the country did roughly twice as much business as the Cayman Islands) to only 10 per cent in 1994. In the meantime, the Caymans' share soared, hitting 26 per cent two years ago.

"Businesses were flying off to other jurisdictions. Everything just ground to a halt," says Mr Ian Fair, chairman of Mess Pierson (Bahamas), one of the biggest banking operations in the Bahamas. Some progress was made towards the end of Sir Lynden's administration. For



Developments such as Lyford Cay lure the wealthy: a liberal regulatory environment helps attract their funds

example, a mutual legal assistance treaty was signed with the US, Canada and the UK in 1990, providing for the exchange of information on criminal activities. But the revival only really got underway after the election of Mr Ingraham in 1992. Red tape, which had restricted the growth of legitimate activity, has been cut: the government has set up a one-stop shop for investment approvals; more generally, it has made it simpler to buy property and take up residence, allowing more people to benefit from the country's liberal tax regime.

The current administration has continued the modernisation of offshore legislation begun by the previous government, but perhaps its most significant achievement has been the cleaning up of the Bahamas' image. New money laundering legislation, introduced last November, is seen as pivotal. The law, which has still to come into effect, builds on a voluntary code of practice introduced in 1985 but imposes new responsibilities on banks to report transactions where money may have been made from crime. Banks face stiff penalties, including imprisonment for offending officers, if they fail to comply.

Other laws provide for tighter control of the mutual funds industry, which has been

growing since rules introduced in 1989 made it easier to form international business companies or IBCs - one of the main vehicles for mutual fund administration. Last year, the government imposed new reporting, disclosure and monitoring requirements for Bahamian funds, providing for registration and annual licen-

sing and minimum capitalisation, and a Securities Board was formed to regulate the activities of the funds.

"Stronger emphasis is being placed on prudential supervision and market oversight, to strengthen the resilience of the financial system by setting and enforcing high standards for prudential behaviour," says Mr

James Smith, governor of the central bank.

Bahamian trust law is being brought into line with that of the most competitive rival centres. Again, the first steps were taken by the previous government: a law protecting trust assets from civil legal action (if the action begins more than two years after the establishment of the trust) was put into place in 1991. This year, new legislation, which allows trusts to be organised in a more flexible way, is to be introduced.

Activity has picked up. Since 1993, the asset base of the banking sector has increased by \$22.6bn to \$185bn, and the number of trusts and banks licensed has risen to 418. The assets being managed by the trust and mutual fund sector have also grown rapidly. Mr Fair estimates that trust fund assets held by Bahamian banks and trust companies could amount to as much as \$300bn. The mutual fund business is smaller but activity seems to be intense. Mr Gregory Cleare, a partner with the Nassau office of KPMG Peat Marwick, estimates that there were some 200 mutual funds with net assets of some \$4.5bn in early 1994, and a further 100 mutual funds with net assets of \$15bn established in other jurisdictions but administered in the Bahamas. According to the central bank, by May this year, the number of Bahamian mutual funds had risen to more than 400 and the value of their assets to some \$40bn.

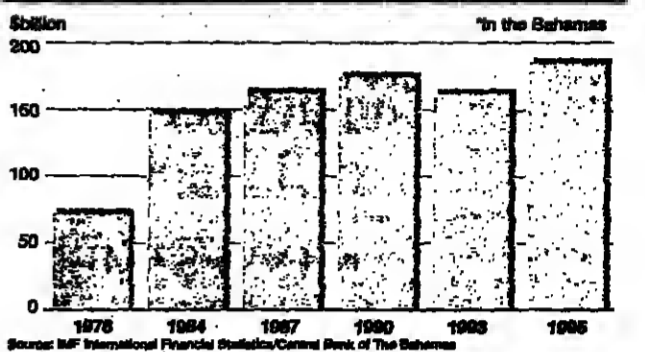
Mr Cleare says that in the early 1990s the Bahamian industry consisted mainly of funds promoted by banks and trust companies for their international private banking customers. Since then, however, banks, trust companies and fund administrators have seen significant growth in the number of funds that have been established in the Bahamas by third party investment managers for sale to a client base of global investors.

More importantly, the character of the centre also appears to be changing, with more banks opting to establish a more substantial presence in the Bahamas. Between 1987 and 1994, the number of banks with a real physical presence in the Bahamas increased by more than 50 per cent, rising

Ranking of international banking centres by external offshore assets

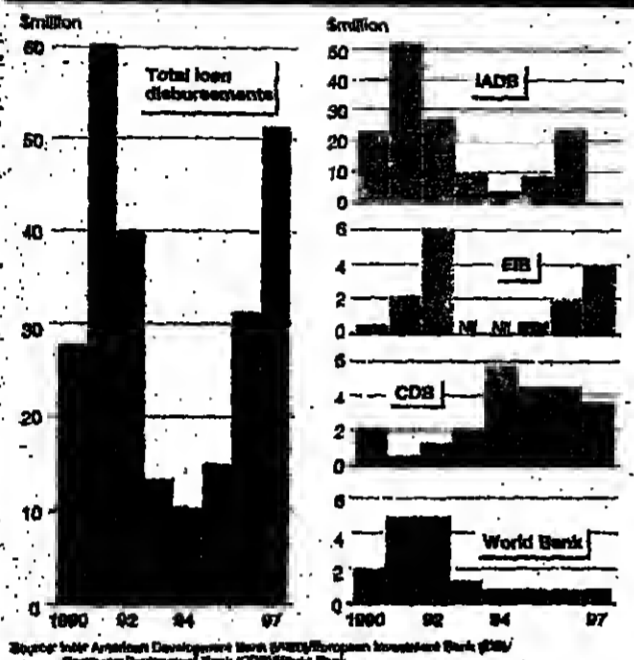
1994 ranking	Assets (\$billions)	Average annual growth 1988-94	1994 ranking	1976 ranking
1 UK	8.0%	1	1	
2 Japan	22.5%	8	10	
3 US	3.5%	2	2	
4 Hong Kong	22.1%	10	12	
5 France	14.1%	5	7	
6 Belgium	11.2%	3	4	
7 Germany	10.7%	11	6	
8 Switzerland	10.5%	4	5	
9 Cayman	11.8%	7	8	
10 Singapore	14.8%	9	11	
11 Netherlands	191.7	12.9%	12	9
12 Bahamas	178.5	2.0%	6	3

Asset base of banks and trust companies



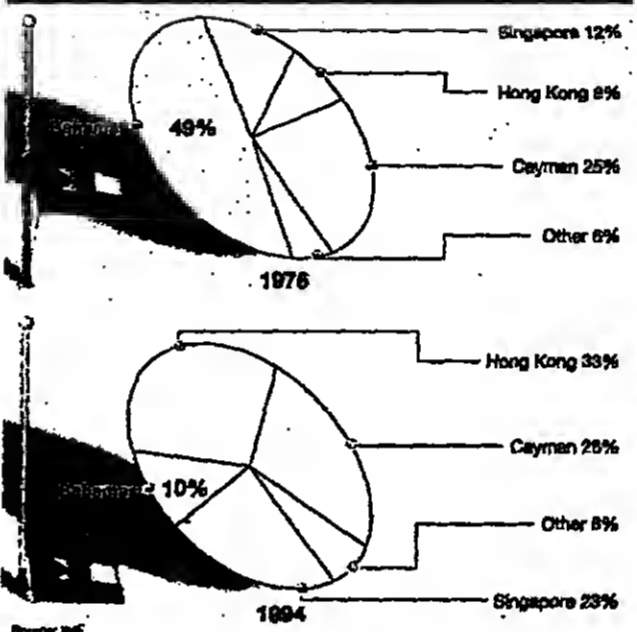
Source: IMF International Financial Statistics/Central Bank of The Bahamas

Net transfers from multilateral institutions and agencies



Source: IMF International Financial Statistics (1993) European Investment Bank (1993) Caribbean Development Bank (1993) World Bank

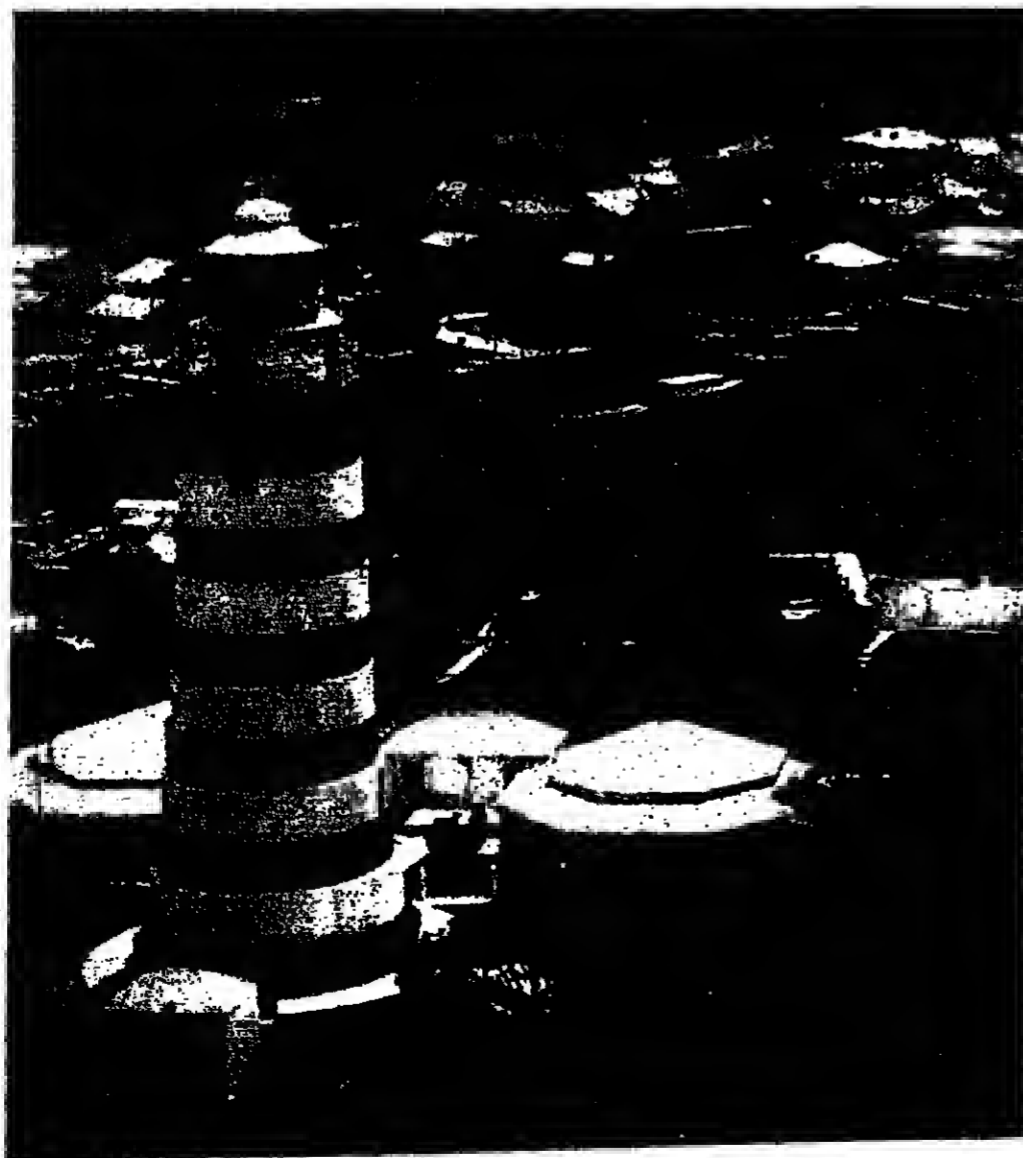
Market share of external offshore assets among major developing country centres



Source: IMF

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4 THE BAHAMAS

Economics and finance

Latin American links: by Richard Lapper

Money talks new tongue

Bahamian banks are forming closer ties with their counterparts to the south

Language skills have not always been a strong point in the Bahamas, despite the country's proximity to Latin America. That could be about to change. Spanish and Portuguese is much in demand at present as the country's banks orient their activities increasingly towards corporate and individual clients from Latin America's growing economies.

"Go to any major bank and they all have instructors teaching Spanish and Portuguese to their staff," says Mr Gregory Bethel, managing director of Credit Suisse (Bahamas), and chairman of the government's financial services advisory committee. Mr Bethel, who was part of a recent mission by the committee members to Brazil, Argentina and Chile, believes the country's future is to some extent bound up with its developing relationship with the bigger economies to the south.

Underpinning this perspective is the economic turnaround in many Latin American countries. Hyperinflation which dogged many countries in the region during the 1980s has been brought under control and liberalisation and a more open orientation towards

trade and foreign capital are leading to stronger economic growth in many countries. Mr Bethel says that the trend towards closer ties between the Bahamas and Latin America began in the early 1990s. "In my view, it started with the North American Free Trade Agreement (Nafta) and Mexico being admitted as an equal partner. Nafta alerted us all to the prospects stemming from the free trade zone."

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In part, the new interest has been driven by Latin American banks themselves. The fall in inflation has made it more difficult for Latin American banks to make money, forcing them to examine alternative approaches. Regulations limiting the extent to which Latin banks can conduct offshore operations have been eased considerably.

Many Latin banks have, as a result, set up branches in the Bahamas. Over the past 10 years, the number of Latin American banks licensed to the country has tripled, rising from 31 in 1987 to 107 in 1996. Brazilian banks have been particularly enthusiastic, their numbers increasing from six in 1987 to 35 in 1996. According to the Central Bank, five of the licensed Brazilian banks have a presence in the centre.

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Ship registration: by Richard Lapper

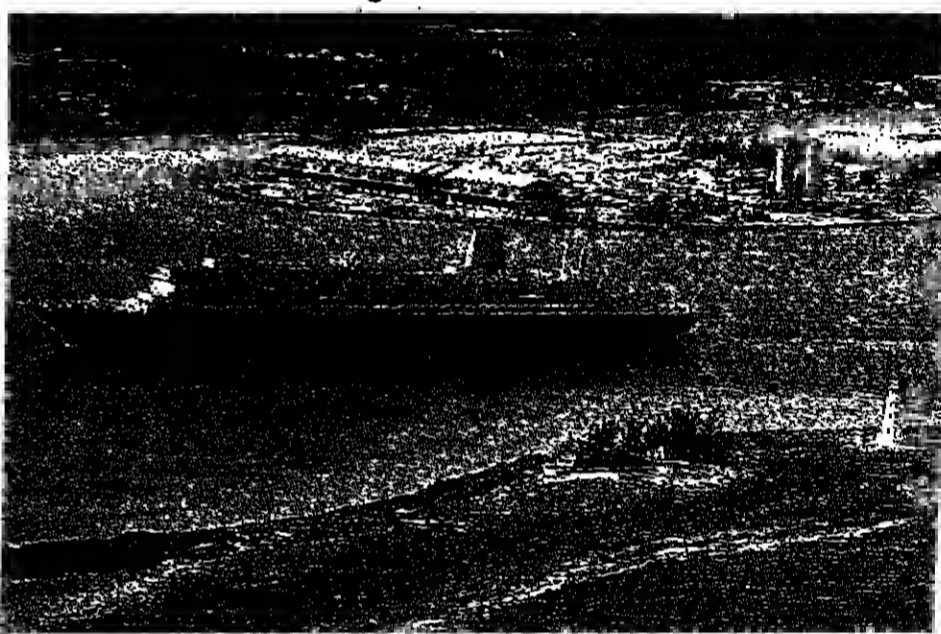
More owners fly the colours

Tax and labour advantages are persuading more shipowners to list in the islands

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Flag of convenience: a cruise liner leaving Nassau in the Bahamas, now a leading offshore registry

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مكتبة البحرين

Property: by Richard Lapper

The insular possessions

The country's estate agents deal in the ultimate luxury property - tropical islands

A thriving trade in the sale of entire islands is the most striking feature of the Bahamas' buoyant residential property market. Encouraged by recent modification of rules which make it easier for homeowners to become Bahamian residents and growing political stability, more and more wealthy North Americans and Europeans are buying up both developed property and land.

As many as 200 of the more than 700 Bahamian islands are privately-owned, according to Mr George Demianios, who runs the Nassau-based Damianos Realty Company. Island sales are not new but the pace appears to be picking up. Mr Demianios, for example, last year sold two and is currently seeking bids for two more, while other Bahamian estate agents report rising interest.

Although the costs of development are considerable and the maintenance and administration frequently underestimated, the world's "wealthy people always have a dream to own a private island," accord-

ing to Mr Demianios. The properties available range in size and character. Highborne Cay, a 400-acre island in the Exuma chain which has four houses and a dock, was sold last year to a group of individual Spanish, US and Bahamian investors for \$6.7m. South of Bimini a US consortium has converted the uninhabited island of Cat Cay into a private island, consisting of several dozen homes costing up to \$1m each.

Ms Elaine Thompson at the Abaco Real Estate Agency in Marsh Harbour has two islands on her books. Matt Lowes Cay, off Abaco, has two houses and five beaches and is on the market for \$5m. And at the other end of the scale is a four acre entirely undeveloped site, also off Abaco, on the market for \$800,000.

Interest in upmarket properties and prime sites is pushing up values elsewhere. Houses and condominiums in the most sought-after locations have risen in price by at least 75 per cent since the present government of Mr Hubert Ingraham took office in 1992.

The administration has made it easier for foreigners to buy land by reducing red tape and paperwork. In 1994 the government repealed the Immovable Property Act which required



Building on Harbour Island: most foreigners buy properties offering luxury, not local charm

prior approval for the purchase, transfer or inheritance of property by non-Bahamians. The act was replaced by the International Persons Landholding Act. Prior government approval is now not required for non-Bahamians to buy residential properties of less than five acres. At the same time anyone spending over \$250,000 on a property is accorded what the government describes as "accelerated consideration" for annual or permanent residency status. That effectively helps many people - although not US citizens - to benefit from the absence of income and capital gains tax.

"There has been a tremendous amount of investment since the new government came in," says Ms Barbara Brooks, president of the Bahamian Real Estate Association and a sales agent for Nassau-based Groschman Property.

Ms Brooks considers that the centralisation of paperwork for sales at the Bahamas Investment Authority, a government agency, has proved especially beneficial for agents and buyers. "Before you had several departments to go to apply to. Now it's a one-stop shop where they check out everything," says Ms Brooks.

Agents also stress that the authorities have become more straightforward in their dealings. "More people are looking to come in partially because whatever happened before is not happening now. There is not the same under-the-table

mentality," says one. As well as islands, properties located in luxury developments in the west of New Providence are attracting particular interest. Lyford Cay, the home to celebrities such as Sean Connery, the film star, is especially popular. Built in 1968, the Lyford complex contains a golf course, tennis courts, a canal network for yachts, and other facilities as well as some 300 homes. Security guards provide round the clock protection. Agents say that prices - which currently range from a \$800,000 for a three bedroom house on one of Lyford's side streets rise to as much as \$5.9m for houses on the waterfront - have doubled in the last five years. Those available tend to be at the more expensive end and although according to Mr Demianios, who negotiated more than a dozen Lyford Cay sales last year, the market is liquid.

The popularity of the Lyford Cay project has prompted a number of similar, although more modest, developments. At Sandy Port to the west of New Providence, some 200 houses - again enjoying 24-hour protection - are priced at between \$300,000 and \$1m. Although prices are lower in the so-called "family" or outer islands than on New Providence they have still increased sharply, partially as a result of new demand. Ms Thompson says that waterfront properties in popular locations near Abaco's airport at Marsh Harbour

are now relatively difficult to find and have also risen in price by as much as 100 per cent over the past five years. Ms Thompson's agency, the biggest on Abaco, which is one of the two most developed outer islands, made some two dozen sales to non-residents in 1995.

Bahamians have attempted to cash in by buying plots of land in areas seen as likely focuses for future development. Ms Thompson reports that news that the road south of Marsh Harbour on Abaco was to be developed sparked speculative interest in the Bahama Palm Shores area.

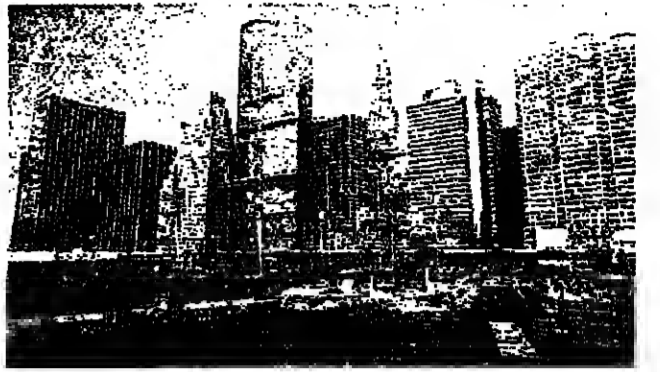
Some locals have also attempted to take advantage of the market by acting as property brokers. The trade is lucrative due to high commission levels - 6 per cent for developed properties and 10 per cent for undeveloped land. Buyers also face the prospect of paying 2 1/2 per cent conveyancing fees to lawyers, while both buyers and sellers of properties must pay a 4 per cent stamp tax.

These opportunities, however, are likely to diminish as a result of legislation introduced last year to regulate the real estate trade, moves which appear partially designed to clamp down on the possibility that property development might be used as a channel to launder money earned in drug dealing. From June 1 this year all estate agents must be licensed.

The new capital market: by Richard Lapper

A slice of NY's pie

Plans to create a securities exchange could create a market for Latin American GDRs



New York: the Bahamas wants some of its depositary receipt business

Proposals to develop a Bahamian securities exchange could pave the way for the development of a local capital market, modernising the domestic financial sector and significantly extending the range of the offshore centre. The regulatory framework for the new market is now in place, following the creation last year of a Securities Board to regulate both the capital markets and the mutual fund industry.

Earlier this year, a private sector task force recommended that a securities exchange be set up. This would list both local and international equities as well as a range of other capital market instruments. A core of domestic listings would give the fledgling exchange some initial economies of scale. Nine local shares, which have a total capitalisation of some \$400m, are currently traded on an over-the-counter basis and more local equity issues are on the cards as a result of the government's plans to privatise its telecommunications company and electric utilities.

The task force also recommended that the government change the way it funds itself in order to make its debt issues more tradeable. The authorities currently issue registered stocks following the passage of the budget each year and these come to the market on an "as needed" basis. Instead, suggested the task force, the government should issue stock at regular auctions. The bonds, it said, should be of varying maturities, ranging from three and five to perhaps 10 and 20 years, so that a yield curve could be established against which other local debt securities could be priced.

The new exchange would also provide a new focus for international business development. Listing closed-end mutual funds, eurobonds and global depositary receipts. Mr Larry Gibson, vice-president of

McDermott International Asset Management and chairman of the task force, says that the new market would grant a listing on request to any foreign company already listed on a recognised exchange. If a foreign company were seeking to delist from another, the listing in the Bahamas would also be automatically granted. "Reasons such as high costs, taxes and increasingly demanding and costly regulation in their home countries could encourage foreign companies to seek a listing in the Bahamas," he says.

Bankers and government officials alike are particularly enthusiastic about potential interest from Latin America. Companies from Argentina, Brazil and Mexico, as well as from a number of smaller countries, have raised equity capital in the New York market through the issue of American depositary receipts, paper that trades in lieu of underlying shares. However, ADRs - also known as American depositary shares - are considered expensive by issuers, a factor that in a number of other markets (such as India and South Africa) has spurred interest in global depositary receipts (GDRs) listed in either Luxembourg or London. Listing a GDR in the Bahamas could be an attractive alternative to the traditional route, since it would allow their shares to be traded during the Latin working day.

Mr Gibson has proposed that Bahamian global depositary receipts (GDRs) should be offered in the local currency of the issuer, allowing greater transparency and easier comparisons for valuation purposes. "By listing in the local currency of the issuer, GDRs can be priced on a one-for-one basis exactly as it would be quoted in the issuers local market," he explains. There are hopes that a securities exchange could be created as early as this year. That might seem a tall order, but much of the technical work has already been done. The country is already participating in a project designed to improve regional stock trading facilities. Along with four other countries - Jamaica, Trinidad, Barbados and the Dominican Republic - the Bahamas has agreed to develop a common electronic trading system and a central securities depository to automate, clear, settle and guarantee trades. This infrastructure will allow the Bahamas to establish strategic links with depositories such as Cede and Euroclear. "Once a link with Cede is established, traders could buy and sell securities in the Bahamas and use Cede as the clearing and settlement system, thereby enabling investors to trade globally," says Mr Gibson.

All of this could have a significant impact on life for Bahamian domestic bankers. For example, the banks' traditional deposit base could be diverted to capital markets instruments offering higher returns. This would force banks to offer more competitive returns to depositors, leading to a compression in the spread between typical borrowing and lending rates, currently standing at more than 9 per cent.

	1993	1994	1995
Building permits			
Number	2,385	2,618	2,303
Value (\$5,000)	221,782	310,881	256,440
Building starts			
Number	1,015	986	1,040
Value (\$5,000)	121,026	175,276	119,117
Break-down of starts:			
(i) residential			
Number	917	867	944
Value (\$5,000)	100,788	84,859	100,076
(ii) Commercial			
Number	96	126	93
Value (\$5,000)	20,218	89,681	18,151
(iii) Public			
Number	2	3	3
Value (\$5,000)	40	736	890
Building completions			
Number	843	888	971
Value (\$5,000)	129,568	125,885	109,810

Source: Department of Statistics, Quarterly Bulletin of Construction Statistics.

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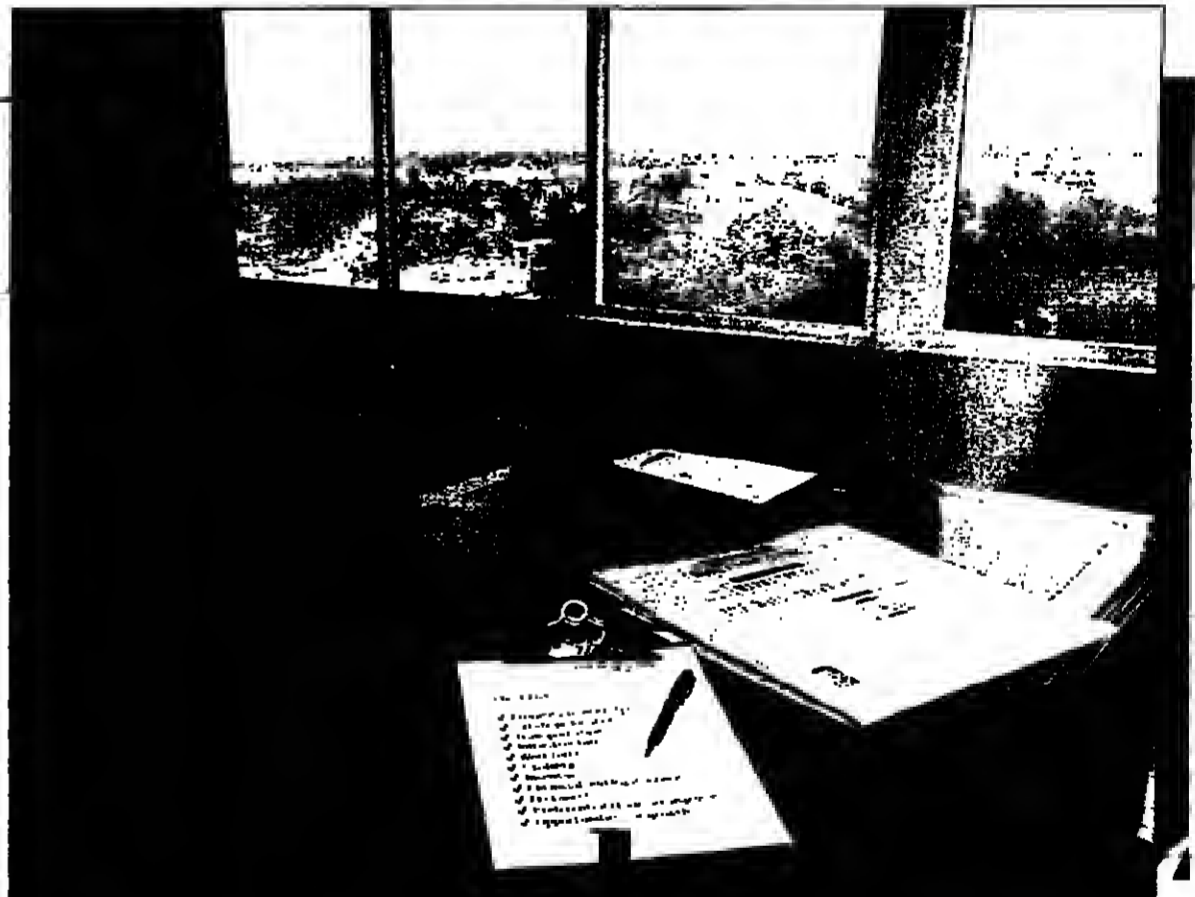
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4 THE BAHAMAS

Economics and finance

Latin American links: by Richard Lapper

Money talks new tongue

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مكتبة البحرين

Politics and policy

THE BAHAMAS 7

Hubert Ingraham: by Stephen Fidler

Premier prepares for last election

The prime minister is confident he can defeat the opposition PLP to win one final term in office

Mr Hubert Ingraham, prime minister of the Bahamas since 1992, says the country's next election, scheduled to take place by September next year, will be his last.

The 49-year-old Mr Ingraham, born on Grand Bahama, has known little but Bahamian politics, but says he has made his mind up. "I've been in poli-

tics 26 years and the next election will be my last election," he says.

Mr Ingraham was first elected to the House of Assembly in 1977 as the Progressive Liberal Party representative for Cooper's Town on the island of Abaco.

A one-time ally of his predecessor in office, Sir Lynden Pindling, he abandoned his former party in protest at the corruption scandals that enveloped the government in the early 1980s. Mr Ingraham saw the impact of drug trafficking in his Abaco constituency all too clearly, but he adds: "What galled me most of all was the involvement of politicians."

Standing as an independent in 1987, he retained his seat, and then moved into the then opposition Free National Movement, to be elected as its head in May 1990. The FNM won the election in 1992, breaking the PLP's 25-year monopoly on power, by 33 seats to 17 in the House of Assembly.

The FNM united disaffected former backers of the PLP such as himself with supporters of what used to be the United Bahamian Party, the voice of the traditional middle class and of the Bay Street Boys, the former white-dominated oligarchy that in colonial times ran the country. The differences in popular perceptions

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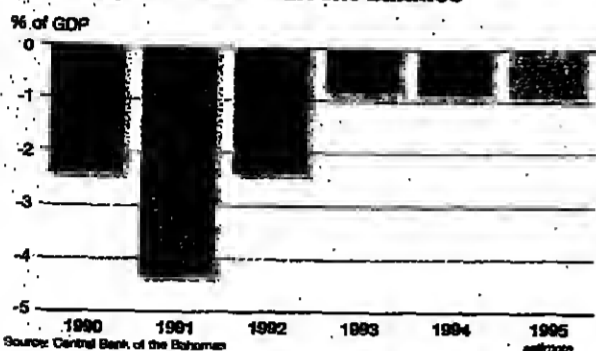
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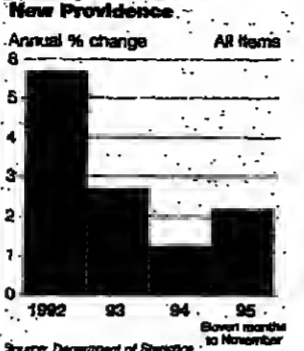
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Central government current balance



Retail price index



Foreign policy: by Canute James

US dominant

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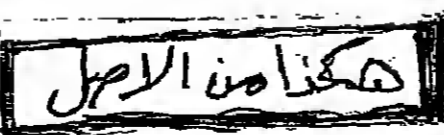
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Politics and policy

THE BAHAMAS 7

Hubert Ingraham: by Stephen Fidler

Premier prepares for last election

The prime minister is confident he can defeat the opposition PLP to win one final term in office

Mr Hubert Ingraham, prime minister of the Bahamas since 1992, says the country's next election, scheduled to take place by September next year, will be his last.

The 49-year-old Mr Ingraham, born on Grand Bahama, has known little but Bahamian politics, but says he has made his mind up. "I've been in poli-

tics 26 years and the next election will be my last election," he says.

Mr Ingraham was first elected to the House of Assembly in 1977 as the Progressive Liberal Party representative for Cooper's Town on the island of Abaco.

A one-time ally of his predecessor in office, Sir Lynden Pindling, he abandoned his former party in protest at the corruption scandals that enveloped the government in the early 1980s. Mr Ingraham saw the impact of drug trafficking in his Abaco constituency all too clearly, but he adds: "What galled me most of all was the involvement of politicians."

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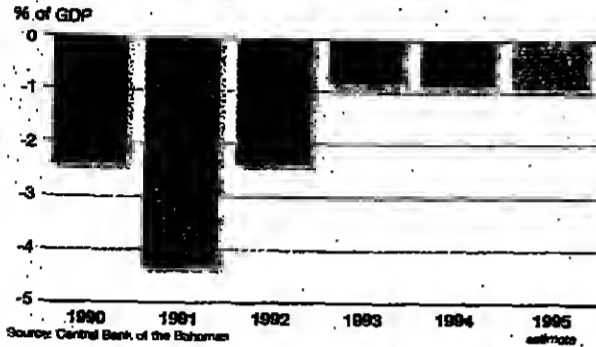
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Balance of payments, 1994-1995 (\$m)

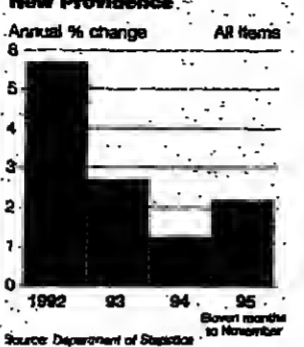
Country	1994			1995		
	Merchandise trade ¹	Current account	Reserves and related ²	Merchandise trade ¹	Current account	Reserves and related ²
Bahamas	-921	-197	82	-847	-236	294
Barbados	-406	83	31	-349	27	-5
Jamaica	-753	-17	327	-776	55	224
Trinidad	728	211	-52	707	289	-27

Source: Inter-American Development Bank. ¹Merchandise trade is total exports of goods less imports of goods valued at f.o.b. prices. Current account is equal to trade plus services plus unrequited transfers. ²Reserves and related items include the net result of capital inflows and outflows of the monetary and non-monetary sectors. Reserves and related items include the changes in monetary gold, special drawing rights, reserve position in the IMF, foreign exchange and use of IMF credit. The table includes errors and omissions. ³According to conventional usage, a minus (+) means an increase, a minus (-) a decrease.

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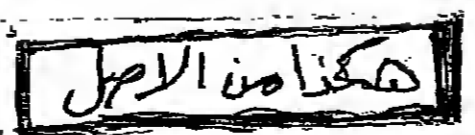
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Grand Bahama

THE BAHAMAS 9

Developing Grand Bahama: by Stephen Fidler

Island harbours commercial aims

Projects based around shipping could break the Bahamas' reliance on tourism

If the Bahamian economy is ever going to be based on activities other than tourism and financial services, Grand Bahama holds the key. Barely populated sixty years ago, it has since been through several periods of furious development followed by subsequent busts. Now another boom is under way that has attracted several big multinational companies to the island, and which offers the hope of a more sustainable expansion.

The modern history of Grand Bahama began in the 1940s. The island attracted the attention of British entrepreneur Billy Butlin, whose tourist development on the island was to prove a costly failure. It also stirred the interest of a US financier, Wallace Groves, who had been jailed for two years in 1941 on fraud charges, and who subsequently bought large tracts of the island. Its sole export at that time were pine trees exported as pit props to Britain.

In 1955 Groves negotiated an agreement with the colonial government which ceded 235 square miles of land - about a third of the island - to his company, the Grand Bahama Port Authority (GBPA). It gave the company relief from taxes

and a quasi-governmental role, in planning, licensing private enterprise and providing infrastructure.

The agreements were amended in 1960 and 1966, and the current government extended the privileges, which for example excuse businesses from duties on imports until 2004 and residents from property taxes until 2015.

By the late 1960s, according to Mr Edward St George - who owns half of the port authority, with British businessman Sir Jack Hayward owning the other half - "the company was taking a wrong direction, and after Wallace Groves retired in 1970 the company was pretty much in the hands of professional managers."

In 1976, when "the company was in extreme difficulty" and running at a considerable loss, Mr St George and Sir Jack, whose father had been involved in the company, took over its management. They later acquired 100 per cent ownership through a complex series of transactions.

The company had another problem following independence in 1973. "The government was taking a hostile view to Freeport, seeing it as a foreign enclave in Bahamian territory," says Mr St George.

Furthermore, the 1970s marked the end of a speculative property boom on the island. The company had been selling lots to many individuals whose main idea was to sell on their property at a profit,

without developing the land. Many of them cannot now be traced.

Mr Albert Miller, president of the GBPA, comments: "We have lot of owners that we can't find."

The programme of selling lots alone was discontinued, but the programme had a more positive legacy: infrastructure. The company used the cash from the sales to build roads, electricity distribution, sewage and canals. Mr Erik Christensen, a Danish businessman building an \$85m marina project on the island, estimates that the value of the infrastructure "in place, paid for and still unused" has a value of \$1.5bn.

Grand Bahama lacks a full range of service companies

Relations with the government did improve for a variety of reasons. A government commission of inquiry, reporting in 1984, found that Mr St George had provided a loan, at extremely generous terms, to Sir Lynden Pindling, the then prime minister. Nevertheless some politicians continued to see Grand Bahama as competition to the main population centre of New Providence. Now, however, says Mr St George, that view has no resonance.

"Both sides of the political spectrum have realised that this isn't just a foreign-owned entity," he says. Ninety-five per cent of Grand Bahama residents are Bahamians, and Bahamians will benefit from the expansion in employment that current plans imply.

However, with Mr St George and his partner both in their seventies, the company has changed tack. Instead of trying to do everything itself, it has been bringing in partners to create joint ventures - gaining both finance and expertise - from its separate businesses.

Southern Company of Atlanta has taken a 50 per cent stake in the Freeport Power Company. Hutchison Whampoa, part of the big conglomerate controlled by Hong Kong entrepreneur Mr Li Ka-Shing, has taken half of the harbour company with an option to do the same with the nearby airport.

Bovis, a subsidiary of Britain's P&O, is seriously examining a stake in the Grand Bahama Development Authority, with which it shares interests in construction, ferries, cruise ships and tourism, and has already located a senior manager in Freeport to act as an adviser. There is, says Mr Keith Perry of Bovis, an unusual overlap between the two businesses.

Mr St George says the next step will be to bring in Bahamian shareholders for up to 25 per cent of each joint venture, through public share issues.

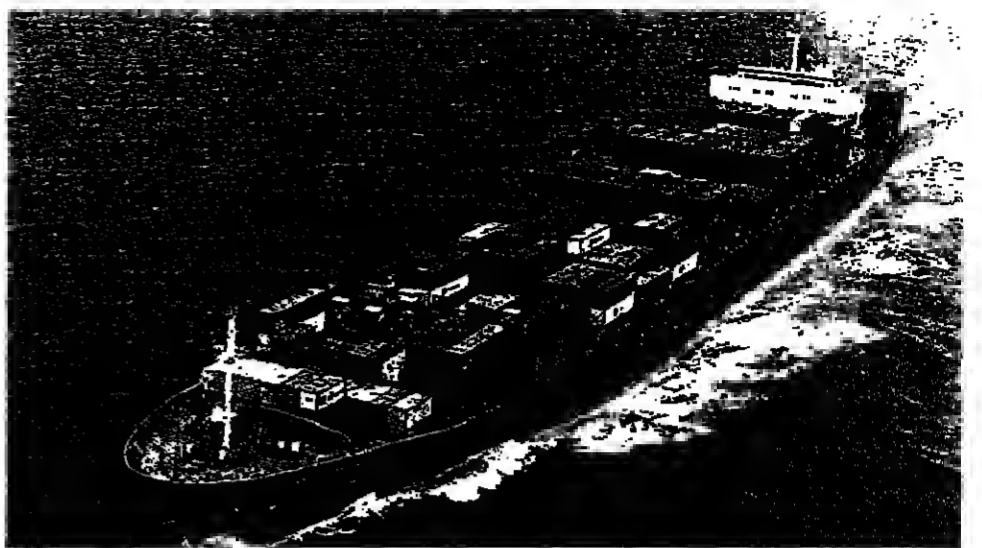
The process, which should start this year with the sale of 10 per cent of the power company, may also help to cement the idea, among politicians and in popular opinion, of Freeport's future as integral to that of the Bahamas.

The harbour is central to the development of the non-tourist sector. Hutchison's interest stems from changes in global shipping. The plan is that Freeport should become a transshipment container port capable of taking the giant container transporters of the latest generation - the so-called super post-Panamax ships. This would then feed smaller north-south services going into the US and Latin America, whose international trade is growing rapidly.

The initial \$78.5m investment, due to be completed in the third quarter of this year, will develop a 45-acre container site and 1,800 feet of berthing. The harbour will be dredged to 47 feet, and to 51 feet alongside the container terminal. This should have annual capacity of 400,000 TEUs (twenty-foot equivalent units). A second \$45m phase is also being contemplated.

"The beauty of this place," says Mr Michael Power, deputy chief executive, "is that it has enormous expansion potential." This contrasts with most more established ports around the world which are in crowded urban areas.

An unusual barrier agreement has Martin Marietta of



Cargo cult: developers hope new facilities will attract the container ships that dominate world freighting

the US digging out an estimated 28m tonnes of aggregate close to the harbour, which will allow for a huge eventual expansion of the harbour at a small cost to the company.

The harbour, which already handles 600,000 passengers a year, is also developing its cruise ship capability. The proximity to the airport meanwhile, whose 11,000-foot runway is capable of taking Boeing 747s, could facilitate rapid shipment of certain types of cargo.

The port is critical to the development of industry in the Bahamas. Apart from the Bacardi distillery and the local brewery on New Providence, the Bahamas' modest industry is based in Freeport. Associated with the need to service the giant cranes being constructed, Motherwell Bridge, a Scottish engineering company,

is establishing an engineering plant there.

Other developments include the establishment of a new plant by Dart Containers of the US, the privately-owned maker of polystyrene cups. There are hopes too of reviving the Venezuelan-owned refinery which has been a storage and blending plant since the 1980s.

Freeport's attraction to manufacturers is its tax-free status, and also the Bahamas' current duty-free access to the US and the European Union through the Caribbean Basin Initiative and the Lomé convention.

However, operating from a small island base brings its difficulties. Mr Andre Cartwright of Pharmaceutical Fine Chemicals, which supplies high grade chemicals to the pharmaceutical industry, says one disadvantage is "the cost of power, which is about twice the rate

on the mainland". And while there are 150 people on staff and 50 contractors on site maintaining equipment - there is a shortage of qualified Bahamian PhDs.

He says the island also lacks companies providing support services, for example to provide industrial gases and waste management services "to enable industries to focus on their core capabilities".

The cost of freight is also high. Because of the difference in the size of the ships used, it is cheaper to ship freight from Europe to Florida than from Florida to Grand Bahama, only 50 miles away. That should change, says Mr Power, once the container terminal is in full operation. Mr Cartwright says he will believe it when he sees it.

Tourism in Grand Bahama: by Canute James

Developers scramble to increase capacity

The island's proximity to the US coast has fuelled a boom in visitor numbers

The resurgence of tourism in the Bahamas has brought the island of Grand Bahama an embarrassment of riches. After years of what one investor described as "hibernation," Grand Bahama is now the focus of attention not only from traditional tourists, but

also investors seeking holiday homes.

Such has been the growth in tourism that the island needs more rooms, and fast. "We have 3,000 hotel rooms and we are full," says Mr James St George, deputy chairman of the Grand Bahama Development Corporation which is responsible for developing tourism. "We need many more hotel rooms."

The island is a few minutes by air and a few hours by boat from Florida. It boasts one of the world's largest privately

owned airports, and an expanding harbour for cruise ships. Just over 537,000 stop-over tourists visited Grand Bahama last year, 11.8 per cent more than 1994. Nine out of every ten came from the US.

In addition to the 287,000 cruise visitors last year, increasing numbers are visiting on ferries from the southern US. These day trippers often extend their stay to one night in the island.

"We are talking to three major hotel groups which are interested in four-star and

five-star properties on Grand Bahama," says Mr St George. "In addition to being closer to the US than other resort destinations, we offer a varied holiday which includes diving, fishing, golf and yachting."

The infrastructure for the expansion of residential tourism was installed several years ago, but the response from investors was poorer than expected. "This period of uncertainty has ended," says Mr Hannes Babak, president of Oceanfront Developers Company which is constructing

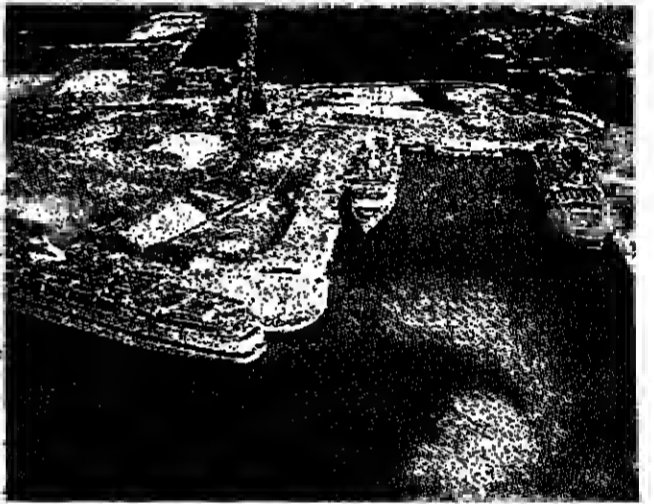
condominiums on the island.

Residential and industrial construction development on Grand Bahama will be encouraged by a recent agreement between the Grand Bahama Port Authority, P&O and the latter's construction subsidiary, Bovis. The agreement includes a review of the development of Freeport, and a campaign to attract new investors in industrial and residential development to the island.

"We are acting as advisers but we may take equity in some tourism developments," says

Mr Keith Perry, president and chief executive officer of Bovis Bahamas Limited.

For Mr Erik Christensen, developer of the Lucayan Marina Village, a 125-condominium development with extensive marina facilities, the business environment on Grand Bahama is as good as could be expected. "This is a perfect environment for an investor. All the infrastructure is in place and has been paid for. It is well-managed and clean and there is a very good and disciplined work force."



Cruise ships moored at Port Lucaya in Grand Bahama

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The architecture of the islands echoes US and European archetypes

History by Stephen Fidler

Piracy, rum and politics

The country's strategic position off the coast of the US attracted some louché visitors

Piracy, smuggling and gun running have played an important role in providing livelihoods for the people of the Bahamas for more than three centuries.

The Bahamian island of San Salvador is one of about five sites claimed by scholars as Christopher Columbus's first landfall in the new world, and one which some say best fits his description. He moved on after 15 days and the first European settlement was not established in the Bahamas until 1648.

By the late 17th century, Charles Town - it was renamed Nassau in 1695 - was teeming with pirates who preyed on passing, mostly Spanish, ships. Mariners were said to use the evil smell of the place to locate it.

In the 18th century and early 19th century it was a base for privateers - licensed by the British government to sack enemy ships. Activity was intense during the Seven Years War, the American War of Independence and the war of 1812. Because of this, the colony was occupied by rebel Americans in 1776 and in 1782 by the Spanish. Wrecking - plundering the many ships that sank in the Bahamas' perilous waters - was also profitable.

The American Revolution led to the exile of many colonists loyal to the British crown, and their settlement in the Bahamas changed the character of the islands. It was they who

built many of Nassau's elegant colonial houses and public buildings.

However, the 19th century was a lean time until the American Civil War, when Nassau was used as a base for running the North's shipping blockade against the Confederacy. The high risks meant successful ships profited hugely: a successful round trip could bring as much as \$300,000.

The US provided the basis for the islands' next boom: prohibition. According to Michael

The islands' location close to the US has always appealed to smugglers

Symonette's brief history of the islands, *Discovery of a Nation: "Bootlegging or rum-running was the leading Bahamian industry from 1820 to 1933."* Crime grew, and the Lucerne Hotel in Frederick Street hosted an annual Bootleggers' Ball.

The merchants who grew rich during this era carried the names of many who were prominent in the colonial assembly - Kelly, Sands, Symonette, Bethell, Christie and Collins. Many of them later became known collectively as the Bay Street Boys - after Nassau's main commercial thoroughfare - and dominated pre-independence Bahamian politics.

In the late 1970s, another boom was to follow a similar pattern. Drug traffickers used the islands' proximity to the US to trans-ship an estimated three-quarters of the cocaine

going into the US. Some observers believe that a crack-down on drug trafficking and money laundering was mainly responsible for the Bahamian economic downturn from 1988 to 1992.

Because of the Bahamas' poor quality limestone land, the islands never developed the huge plantations and slave gangs of colonies elsewhere in the Caribbean. But the black majority was under-represented in the House of Assembly until universal adult suffrage was introduced in 1962.

Black political awakening dates back to 1942 and the so-called Burma Road riots, over the higher wages paid to

foreign white workers than to black Bahamians in the building of the international airport. In 1953, the Progressive Liberal Party - the first political party in the country - was created by a group of mulatto professionals. It had little impact until it was gradually taken over by a newly qualified black lawyer, Lynden Pindling.

The PLP forced the Bay Street Boys to create their own party, the United Bahamian Party, which won the 1963 election, even though the PLP polled a majority of votes. Internal self government followed in 1964 and the PLP victory of January 10, 1967, led to independence in 1972.

KEY FACTS

Area	13,296 sq km
Population	275,000
Head of state	Queen Elizabeth II
Prime Minister	Hubert Ingraham
Currency	Bahamian dollar (B\$)
Average exchange rate	B\$1=US\$1 fixed

ECONOMY

Total GDP (US\$)	1994	1995**
Real GDP growth (%)	3.408	3.890
Consumer prices (% living cost)	0.3	3.0
Consumer prices (% living cost)	1.5	2.8
Components of GDP (%)		
Private Consumption	70.8	N/A
Total Investment	13.9	N/A
Government Consumption	12.8	N/A
Exports	88.9	N/A
Imports	88.1	N/A
Visitor arrivals	2,447,477	2,226,100
Tourism expenditure (US\$)	1,532,894	1,845,898
Reserves minus gold (US\$)	176.8	178.2
Total external debt (US\$)	483.8	374.5
Debt service ratio (%)	5.4	4.2

Main trading partners (1994)	Exports	Imports
USA	30.5	28.5
UK	7.3	1.8
Greece	6.9	1.4
Norway	6.5	2.7
Japan	1.8	21.2
Italy	0.5	11.0
Iran	N/A	7.0

*1995 mid-year estimate. **Year to date. Estimate unless otherwise indicated. ***1993 figures only. ****Foreign currency debt. *****Share of trade. Source: Economist Intelligence Unit, IMF, Datastream.

Power surge

The Freeport Power Company, which already has installed capacity significantly higher than demand, is expanding further. It hopes to capitalise on expected increases in tourism and industrial investment in Grand Bahama.

The company is jointly owned by the Grand Bahama Port Authority and Southern Electric of the US. "Southern Electric looked at the business environment in Grand Bahama, liked what it saw, and signed a contract," says Mr Larry Brantley, chief executive of Freeport Power.

He adds: "Freeport has great potential for trade and transport, and could be an industrial centre. So we have to be ready for increasing demand."

The expansion of the company coincides with plans to change the structure of its ownership. A public issue of ten per cent of its shares is being made this month June, and the free float could eventually rise to 25 per cent, says Mr Edward St George, chairman of Grand Bahama Port Authority.

"We want to bring

Bahamian shareholders into the company," he explains. "This is not intended to raise money but to make Bahamians participate. The company has no debt, but it will have when we buy two generators for \$30m to cope with increasing demand."

Freeport Power's installed capacity is 166 megawatts, with peak demand at a half of this. The company has concluded the purchase of the first of two generators which will eventually lift capacity to 136 megawatts. It will be commissioned by October next year.

Southern Electric is an active participant in the Caribbean power industry. It recently bought a 49 per cent stake in the Trinidad and Tobago Electricity Commission, and is a front-runner to purchase the state-owned Public Service Company in Jamaica.

"Southern Electric will continue to expand where expectations for a growing market are good," says Mr Brantley. "If the Bahamas Electricity Corporation is up for sale, then we would be interested."

Canute James



Demand for electricity from infrastructural projects should grow

Population of the Main Islands of the Bahamas

Island	1990	1990
New Providence	171,542	136,437
Grand Bahama	41,035	33,102
Eleuthera, Harbour, Spanish Wells	10,524	10,831
Abaco	10,061	7,271
Andros	8,155	8,507
Exumas	3,539	3,670
Long Island	3,107	3,404
Cat Island	1,878	2,215
Bimini	1,538	1,411
Inogus	985	824
Berry Islands	834	509
Rum Cay, San Salvador	539	825
Acklins	428	618
Crooked Island (incl. Long Cay)	423	553
Mayaguana	308	464
Reggled Island	88	164
Total	209,505	254,888

Source: official census

Social indicators: the Bahamas contrasted with three Caribbean nations

Country	Infant mortality (per 1K live births)		Life expectancy at birth (years)		Population per doctor		Population per hospital bed		Access to safe water (%)		Literacy rate (%)	
	1970	LAE	1970	LAE	1970	LAE	1970	LAE	1970	LAE	1970	LAE
Bahamas	35.0	25.0	64.9	69.6	1,215	776	198	238	65	87	3.0	
Barbados	38.2	8.5	68.7	75.5	1,814	1,124	88	122	98	100	0.7	1.0
Jamaica	43.2	13.6	67.7	73.8	2,632	2,083	244	300	62	72	3.9	1.8
Trinidad and Tobago	52.0	10.5	65.4	71.8	2,248	882	202	198	86	96	7.8	3.8

LAE = latest available estimate. Source: Inter-American Development Bank. Note: Social indicators are collected by countries through censuses and survey data, in many cases, subsequently and on other than an annual basis. Therefore, the data for 1970 are for years as close to 1970 as possible and in no case earlier than 1970 nor later than 1979. Data for the latest available estimates are in no case prior to 1985 and for many of the indicators refer to the early 1990s. Users should be aware that the concepts, definitions and methodologies employed in the collection of such indicators vary from country to country and often vary over time within countries.

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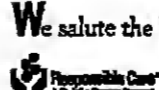
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مكتبة الامم المتحدة

■ The Family Islands: by Richard Lapper

Low stress, slow service

Residents are unwilling to compromise their lifestyles in pursuit of tourist dollars

The Italian in room six wants to leave. He is complaining that there is a lizard in his room," shrieked the owner of a small hotel in Dunmore Town, Eleuthera, one of the most developed and arguably most beautiful of the Bahamian "Family Islands".

The Family Islands, which stretch round Grand Bahama and Providence Island, Bahama's main population centres, and extend 500 miles southeast towards Puerto Rico, are fiercely promoted by the Tourism Ministry as ideal destinations for ecotourism and as locations for second homes.

The stressed Dunmore Town hotel owner is one of a number of the more than 60,000 Family Islands residents who view with mixed feelings the potential impact of the ministry's publicity drive. The attractions of the islands, ritually extolled in the Tourism Ministry's brochures, are real enough. They boast turquoise-blue seas and "pink sand" - the three-mile beach at Harbour Island, off Eleuthera is coloured pink by tiny fragments of coral and conch shell. The islands enjoy a near perfect climate and host abundant wildlife.

Inagua boasts flamingos and wild donkeys, Exuma has giant lizards, and Abaco wild parrots. Visitors can take snorkelling courses with the son of Jacques-Yves Cousteau, the famous undersea explorer, spot dolphins and even whales and catch bonefish, which are so inedible that even the environmentally-unaware throw them back into the sea alive.

Tropical fish appear to be everywhere. Even from the harbour side at Man-O-War Cay, off Abaco, for example, dozens of tangerine and sky-blue parrot fish, black and grey striped groupers and a four-foot-long sea turtle are clearly visible swimming through the clear water.

The islands have other features that will appeal to the environmentally-conscious. There are few cars. On many smaller islands residents and

tourists alike travel by electric golf cart. Crime - a problem in recent years in Nassau - is unknown and as a result of a largely successful US clamp-down, both the cocaine and the marijuana trade, as well as drug addiction, have both declined markedly.

It is easy to sense though that these tiny communities may find it difficult to cope with a big influx of tourists. Partly this is because natural conditions have made it relatively easy to earn a living from fishing and agriculture, as well as from illicit activities.

Without apparently trying too hard the Bahamas has been at various times in its history one of the world's biggest producers of pineapples and sea sponges. In the nineteenth century residents of Hopetown in Abaco Island were doing such good business by salvaging ships wrecked off the island's reefs that they tried to sabotage the construction of the Hopetown lighthouse.

Hoteliers and restaurant owners are stubbornly uncommercial in their approach. Some apparently run businesses for the convenience of their employees or themselves. At one hotel in Abaco, for example, a check-in time of four in the afternoon contrasts with a check-out time of ten in the morning, leaving staff a comfortable six hours to prepare rooms. Although the central islands of New Providence and Grand Bahama are devel-

oping a year-round approach to tourism, in the Family Islands the tourist trade is heavily seasonal, with some facilities closing altogether in the autumn. Prices are high and facilities poor by international standards.

Local businesses - ranging from hoteliers to estate agents - are curiously publicity-shy. A sign exhibited in a small drinks kiosk at North Eleuthera airport typifies the mood. "I don't want to hear nobody business!! And I don't want no (sic) any one problem. Thank you!!"

On Sundays restaurants and even some hotels close. Many islanders are evangelical Christians - with Pentecostal and Seventh Day Adventists, Plymouth Brethren, as well as Methodists and Baptists enjoying strong followings. The 4,000-strong mainly black community in Harbour Island boasts no fewer than eight churches, including one especially built for some 100 Haitian inhabitants. A few hundred white residents at Man-O-War Cay, originally settled by British loyalists escaping the American war of Independence, support three churches.

On Man-O-War, the conservative, teetotal local community has successfully deployed its traditional boatbuilding skills to maintain and repair the yachts and homes of US residents and other visitors. But its local board of works refuses to allow further development,

such as small hotels. Local restaurants do not serve alcohol.

All the islands are fiercely protective against outside criticism. A UK television travel documentary which attacked standards on Harbour Island provoked a storm in the local community. In Abaco a critical mention of the island by Mr Christopher Darden, prosecutor in the OJ Simpson trial, in his book about the legal action, has caused consternation among locals. Mr Darden was following up on reports that Simpson and some friends had moored their yacht off Man-O-war Cay.

For the moment a deluge of visitors is not on the cards, not least because of the deficiencies of the transport infrastructure. In the longer term, Mr Vincent Vanderpool-Wallace, director general at the ministry of tourism, is hopeful that private capital can be tempted to invest in a high-speed ferry service which would link each of the islands. At present, although it is possible to reach any of the islands by air from either Nassau or Miami, or in more leisurely fashion by mail boat, "island hopping" is not easy. Even though a number of smaller companies offer charter services, these are erratic and poorly advertised. Nassau travel agents as well as the staff at the tourist office seem to be oblivious of their existence. Stress levels are likely to be low for some time to come.



St. Columba Church, Eleuthera: churches are a stronger draw for islanders on Sunday than workplaces

■ Tourism companies: by Canute James

Tax breaks lure foreign cash

Some politicians think the government has been over-generous with tax breaks

When Mickey Mouse, mascot of the Disney company, met Bahamian government officials in Nassau recently, it was to celebrate an agreement which the administrators of the country's tourism say will significantly increase the volume of visitors to the islands.

In the latest big foreign investment in Bahamian tourism, Disney Cruise Lines is to build a terminal at Gorda Cay, where it has bought 400 acres from private owners, with an option to acquire another 400 from the government.

The company is building two cruise ships which will begin using the terminal and calling at Nassau in 1998, bringing 500,000 visitors per year - one third the number of cruise visitors to the Bahamas last year.

Disney Cruise Lines had been searching for an island destination for its cruise passengers, and will use its Bahamian venture for offshore tours to complement its amusement park in Florida, says Mr Arthur Rodney, president of Disney Cruise Lines.

Foreign investment in Bahamian tourism has been growing since 1992, when the new government decided to sell off indebted properties taken over by the previous administration.

"The government was forced to take over hotels in the 1980s because foreign owners, facing financial problems, were pulling out of the business," says Senator Obie Wilchcombe, chairman of the Progressive Liberal Party which formed the government for 25 years until the 1992 election. "There was a need to keep the properties open to preserve jobs."

Government officials say the first real signal of change in the industry and the country was the decision of Sun International Hotels of South Africa to invest \$100m in improving and expanding the Paradise Island resort and casino which it bought from Resorts International of the US. Sun International has



The Crystal Palace Resort and Casino at Cable Beach, a site of intensive development

since said it will invest \$225m more on Paradise Island to add 1,000 more rooms.

"Our decision to invest was guided by the proximity of the Bahamas to the US, and by the fact that the country had all the infrastructure in place," says Mr Butch Keszner of Sun International. "We also concluded that there was an understanding in the highest levels of the Bahamian government of the value of our investment in the country."

Sun International and other investors in tourism have been given a range of tax breaks. There is some controversy over the concessions and the real value to Bahamian tourism of the resulting expansion.

"We have not given away too much in concessions. We had concluded that we could not attract investments if we did not give concessions," says Mr Hubert Ingraham, the prime minister. "Our largest hotels were either bankrupt or up for sale. Sun International's proposals offered an opportunity to transform Paradise Island. We took advantage of the opportunity."

Mr Bernard Notage, deputy leader of the P.L.P., said that while Sun International's investment was improving the country's tourism capacity and infrastructure, it represented a

"windfall" for the company, as the government had given concessions worth \$350m over 20 years and had got in return an investment of \$225m.

"The P.L.P. claims Sun International got too much, but it is not true that the concessions it got are a burden on the Bahamian tax payer," says Mr Steven Giegerich, economic and commercial officer of the US embassy in Nassau. "It is a win-win deal. It had a snowballing effect and brought in

other significant investors such as John Issa and Gordon Stewart."

Mr Issa and Mr Stewart, Jamaican hoteliers who own two chains of all-inclusive hotels, have been spreading their operations to other parts of the Caribbean. Both bought hotels on the Cable Beach resort, spending \$56.5m to acquire and refurbish the properties. These new investments have raised questions about the value of all-inclu-

sives to Bahamian tourism, already with very few linkages to the rest of the economy.

"All-inclusives in the Bahamas are different from those in other parts of the Caribbean," says Mr Vincent Vanderpool-Wallace, the director general of tourism. "The conventional belief is that visitors stay isolated in their hotels, but our experience is that people do leave properties to eat and to shop. However, I would not like to see tourism here become totally all-inclusive."

The opposition's criticism of the manner of the divestment of state-owned hotels - and the breaks given investors - are accompanied by charges that some properties are being "given away," and that fewer jobs than were promised have been created in their hotels. The development on Paradise Island had promised 3,000 jobs, but only 340 of these are new, claims Senator Wilchcombe.

"There is in fact new employment," says Mr Vanderpool-Wallace. "With the uncertain state of the industry, many workers were working two days per week. Now they are back to six days, so there is increased employment. If we were to count heads it would seem that there has been no increase."

The number of new jobs created is the subject of heated debate



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The Bahamas has a strong maritime tradition and in recent years its open shipping register has proved increasingly popular with the international maritime community. The country's inherent political stability, social responsibility and total independence have offered an attractive combination of features for ship owners. The services which the shipping register offers sit well alongside the other financial and legal services which are based in Nassau. The Parliamentary and judicial system in the Bahamas is closely modelled on the Westminster model, and the shipping register is based on a framework of Merchant Shipping legislation. This legislation is continually updated, reflecting changes in international conventions, and other developments.

The Bahamas Maritime Authority is a statutory corporation which administers the Bahamas ship register. The Bahamas takes particular pride in the list of first class, reputable shipping companies which have chosen to adopt the Bahamas flag over the years. Tonnage of its fleet has increased from less than one million gross tons (grt) in 1983 to more than 25 grt today, constituting the fifth largest fleet in the world. Its fleet includes passenger liners and ferries, major oil and bulk carriers and submersible craft, in addition to a wide range of general shipping.

The mission of Bahamas Maritime Authority is based on its commitment to the ship owner, the safety of seafarers and ships; the marine environment; and service to the global maritime community.

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12 THE BAHAMAS

Tourism/Business travel

Business traveller's guide: by Canute James

Commerce in comfort

Good infrastructure makes the islands a convenient place for people to work - as well as play

Facilities for visitors are heavily in favour of people on holiday. However, growth in the offshore business sector and increasing interest in industry on Grand Bahama, has attracted an increasing number of business visitors to the Bahamas.

Telecommunications are adequate, although expensive. The cost of business conducted through overseas calls from hotels can be formidable. Despite this, links between the Bahamas and the rest of the world are excellent, with reliable international connections. There are also facilities for data packet switching.

A wide range of professional services is available for the longer-stay business visitor. Several of the better-known commercial banks are represented on the island, and there are many law firms, chartered accountants and auditors. Getting to the Bahamas from the US and Europe is easy.

The country has a total of five international airports, located on New Providence, Exuma, Eleuthera and Paradise Island. The main airlines serving the country are American, American Eagle, Air Canada, Air Jamaica, Bahamasair, Carnival, Delta and USair.

Nassau is just over half an hour's flying from Miami, and travelling to Freeport takes less time still. Flying time from New York is three hours, and nine hours from London. Taxis are plentiful at the airports, and rates are set for all parts of any of the islands. Cars are available for rental from several agencies. Driving is on the left.

The Bahamas takes pride in its good safety record. Visitors can drive and walk freely all over the islands, but, just like anywhere else in the world, personal safety measures are advisable.

The Bahamian dollar is interchangeable with the US dollar. The Bahamas offers a wide variety of accommodation in most of the big islands. Some hotels offer convention

and meeting facilities. As a holiday resort, the Bahamas offers the business visitor many opportunities for relaxation after work. In addition to those in hotels, there are many good eating places. Golf courses, tennis courts and facilities for water sports - diving, para-sailing, skiing, yachting - are many.

Where to stay:

In Nassau:
Ocean Club, Paradise Island, PO Box N 4777. Tel: (809) 363 3000. Fax: (809) 363 2424.

Nassau Marriott Resort and Crystal Palace Casino, Cable Beach, PO Box N 8306. Tel: (809) 327 6200 Fax: (809) 327 6818.

Radisson Grand Resort, Paradise Island, PO Box SS 6307. Tel: (809) 363 3500. Fax: (809) 363 3900.

Pirate's Cove Holiday Inn, Paradise Island, PO Box SS 6214. Tel: (809) 363 2100 Fax: (809) 363 2206.

Fort Nassau Beach Hotel, Cable Beach, PO Box N 7756. Tel: (809) 327 7711 Fax: (809) 327 7615.

Comfort Suites Paradise Island, Paradise Island Drive, PO Box SS 6202. Tel: (809) 363 3680 Fax: (809) 363 2588.

In Freeport:
Clarion Atlantik Beach and Golf Resort, Royal Palm Way, PO Box F 40207. Tel: (809) 373 1444 Fax: (809) 373 7481.

The Bahamas Princess Resort and Casino, Mall at Sunrise, PO Box F 40207. Tel: (809) 352 6721 Fax: (809) 352 2542.

Xanadu Beach and Marina Resort, Snaken Treasure Drive, PO Box F 42438. Tel: (809) 352 6783 Fax: (809) 352 6799.

Where to eat:

In Nassau:
Café Martinique, Paradise Island, Tel: (809) 363 8000. Dinner only. Classic French Cuisine. Expensive.

Graycliff Restaurant, West Hill Street, Tel: (809) 322 2796. Lunch and dinner. International cuisine. Expensive.

Ristorante Vesuvio, Tel: (809) 325 0324. Dinner only. Classic Italian. Moderate to expensive.

East Villa Restaurant, East Bay Street, Tel: (809) 393 3377. Lunch and dinner. Chinese and continental. Moderate to



Nassau, just three hours flight time from New York

expensive in terms of price.

In Freeport:

Crown Room, Princess Casino. Tel: (809) 352 7811. Dinner only. International. Expensive.

Arawak Dining Room, Lucayan Golf and Country Club. Tel: (809) 373 1066. Lunch and dinner. French/Bahamian gourmet. Moderate to expensive.

Pier 1 Restaurant, Freeport Harbour. Tel: (809) 352 6874. Lunch and dinner. Seafood. International. Moderate to expensive.

Useful addresses:

The Bahamas Investment Authority, (Mr Basil Albury, executive director), PO Box CB 10980, Nassau, NP. Tel: (809) 327 8970-4 Fax: (809) 327 8907.

The Bahamas Chamber of Commerce, (Ms Ruby Sweeting, executive director), PO Box N 666, Nassau, NP. Tel: (809) 322 2145 Fax: (809) 322 4649.

Grand Bahama Chamber of Commerce, (Mr Kenneth T Hutton, president), PO Box F 40808 Freeport, Grand Bahama. Tel: (809) 352 8329 Fax: (809) 352 3280.

Grand Bahama Port Authority, (Mr Edward St George, chairman), PO Box F 42666, Freeport, Grand Bahama. Tel: (809) 352 6783 Fax: (809) 352 6799.

The Bahamas Real Estate Association (Ms Barbara Brooks, president), PO Box N 8860, Nassau, NP. Tel: (809) 325 4942 Fax: (809) 322 4648.

The Bahamas Institute of Chartered Accountants, (Mr Gerald Sawyer, president), PO Box N 7037, Nassau, NP. Tel: (809) 394 3438 Fax: (809) 394 3625.

The Bahamas Maritime Authority, (Mr John Dempsey, director) 10 Chesterfield Street, London W1X 8AE. Tel: 44 171 493 5516 Fax: 44 171 491 0587.

The Bahamas Bar Association, (Mr Philip Davis, president) PO Box N 4632, Nassau, NP. Tel: (809) 326 3276 Fax: (809) 327 7360.

Tourism: by Canute James

Islands lure fewer visitors

New investment has yet to boost tourism, which is vital to the economy

There are two telling measures of the importance of tourism to the Bahamas. First, more than twelve times as many tourists as there are Bahamians visit the country each year. Second, more than a half of all working Bahamians are employed in tourism, which contributes half the country's gross domestic product.

The Bahamas has made the most of its location. It is just over half an hour by air from Miami, closer to its biggest market than competing destinations in the region - four out of every five tourists are from the US.

A few years ago the country appeared to be losing out to its competitors. The Gulf War reduced foreign travel by Americans who were concerned about security. Changes in the values of leading currencies against the US dollar sometimes made a European holiday more competitive for North Americans. Competition came not only from other established resorts, but also from several states in the US offering what they hoped was seen as cheaper and safer destinations than the Caribbean.

The sector also suffered from domestic problems. Over-expansion could have an adverse impact on the environment. But Mr Vanderpool-Wallace says that assessments of likely damage are done for each big project. "There is no reason to be concerned at the moment."

Then the 1992 election brought a new administration to office that was committed to privatising state property. Several major hotels have since been bought by foreign investors.

"We have pulled back from the brink," says Mr William Allen, the finance minister. "We have substantially restored the tourism plant. The government is coming out of tourism. The industry is performing as well as we expected and will continue to be the driving force in the economy."

The administrators of the industry do not appear unduly worried by a six per cent fall in the number of tourists last year. They are encouraged by an improvement in the number of stopover visitors which grew by 5.4 per cent to reach 1.6m in 1995. This could not compensate for a 14.5 per cent decline in tourists arriving on cruise ships.

"Stopover tourists spent \$1.3bn last year, which is about \$350 per visitor," says Mr Vincent Vanderpool-Wallace, the director general of tourism. "This will increase as room rates are up 19 per cent on last year. We are trying to encourage cruise passengers to stay overnight in the Bahamas and to get off the ship. There is a \$15 tax on each passenger, but each spends an average of \$85." Hotel room revenues reached \$157.8m last year, up by 17.8 per cent, while the average room rate rose from \$72.26 to \$82.5 per night.

The improvement has coincided with new investments. Sun International Hotels of South Africa, which has invested \$100m in properties on Paradise Island, plans another \$250m project to add 1,000 rooms. Saadals and Breezes, two Jamaican chains of all-inclusive hotels, have bought properties from the state-owned hotel company and refurbished them. Several other properties have been sold to foreign owners. "For the first time in a long time properties are making money," says Mr Vanderpool-Wallace.

There is disagreement about the money spent on promoting tourism. "The government made an error in reducing the tourism budget by a half," complains Senator Obba Whitecombe, chairman of the opposition Progressive Liberal Party which formed the government for 25 years until the 1992 election. "\$30m has been cut from the promotional budget. As a result we have lost market share to Barbados, Jamaica and Mexico."

The cut in the promotional budget has not adversely affected the industry, counters Mr Hubert Ingraham, the prime minister. "We are spending 50 per cent of what the PLP spent on promoting tourism and we have increased the volume of stopover visitors," he says.

Despite tourism's importance to the Bahamas, there are few linkages to the economy. Very little of the food consumed by tourists is produced in the country. Eighty cents of each dollar earned by tourism is spent on imports for the sector, says Mr Ingraham. Retained earnings are much higher in some of the competing resorts in the Caribbean. The prime



Ebbing away: tourist numbers fell by 6 per cent last year

minister says he would like the Bahamas to retain 50 cents of each tourist dollar over the next ten years.

When the construction of hotels on Paradise Island is complete, resorts will be developed in some of the other islands with potential for a variety of holidays. "We will be marketing the unique attractions of these islands," says Mr Vanderpool-Wallace. "This will be a different type of tourism, which will concentrate on fishing, snorkelling, diving, bird watching, hiking and climbing. We have the world's third largest barrier reef at Andros Island."

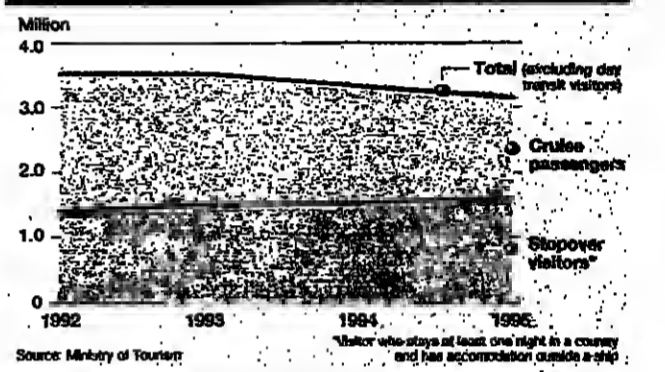
These developments have raised some concerns. Over-expansion could have an adverse impact on the environment. But Mr Vanderpool-Wallace says that assessments of likely damage are done for each big project. "There is no reason to be concerned at the moment."

built," explains Mr James Smith, governor of the central bank. "This led to the demise of the smaller hotels, and there was no appreciable growth in the number of visitors. Paradise Island may attract more visitors, but it could reduce the volume of business for resorts at Cable Beach."

Although Bahamian tourism will continue to depend heavily on the US market, new markets are being sought. Increasing numbers of Russians are holidaying in the islands, says Mr Vanderpool-Wallace, while there is a steady flow from other East European countries. More are also coming from Ireland and Latin America.

This wider market has helped to solve a problem which once troubled the Bahamas, and still affects other Caribbean resorts. The high season, traditionally the northern winter, often gave way to low occupancies in the summer. "Seasonality has disappeared and July and August are just as busy as January," says Mr Vanderpool-Wallace.

Visitor arrivals

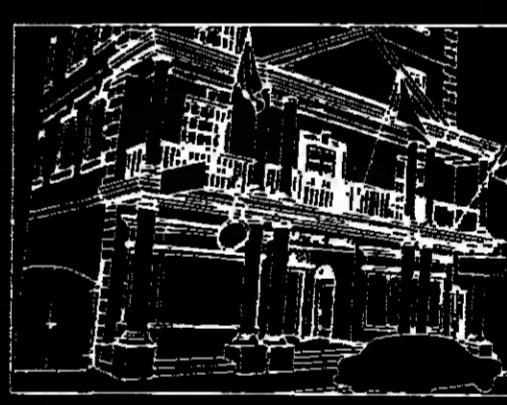


Source: Ministry of Tourism

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RECRUITMENT

JOBS: Companies are reviewing their assessment methods
Calling time on referees

Giving the names of referees with job applications is a routine requirement of recruiters across the employment sector. Does it continue to serve a purpose any more, given that references can be manipulated by those who have a vested interest in doing so?

Anyone who has ever provided a character reference knows how to list the positive attributes of an individual without including the negative side. The approach is employed by sales people the world over with differing degrees of subtlety.

Professor Patricia Leighton, head of the Employment Research and Development Centre at Anglia Polytechnic University, Cambridge, told the Institute of Personnel and Development (IPD) recruitment conference in London this week that referees could no longer be relied upon by employers.

She said: "Many informed recruiters have real reservations about using references at all. They argue that they are a poor predictor of performance and prefer psychometric testing, practical work-based

tests and assessment centres." References, she said, had become riddled with subtexts and hidden agendas. "A referee may provide a glowing reference simply to get rid of an employee," she said.

In other cases, limited knowledge of the employee or fear of legal action could also make references unreliable. She added: "It's unlikely that an applicant would choose someone who would give them a bad reference in the first place."

Recent case law, however, has established that those who provide sloppy or dishonest references risk claims for damages because referees owe both the job candidate and the prospective employer a duty of care to ensure that any information contained in the reference is accurate.

Angela Baron, an IPD policy adviser, says she cautions personnel managers against giving any testimony, written or oral, which they cannot back up with factual evidence.

While there seems to be a body of opinion against the use of references, bolstered by those who believe psychometrics provide a more objective way of assessing job

candidates, it may be worth looking at counterarguments for their continued use.

In most cases references are used as a form of assurance or comfort when the selection decision has been made. They may help to give a more rounded view of the individual and point to certain attributes or qualities that good managers may work upon.

However, it is probably already the case that they have a diminished role in selection. Whether that role should disappear entirely, and, on a broader front, whether subjective selection should give way to the objective approach, are questions that are likely to continue to divide academics and those who refuse to accept that human nature should be dissected and parcelled in boxes.

Country matters

Not everyone contemplating working abroad gives much thought to the cultural experience that awaits them. Some are patently uninterested. Does it matter? In a recent

survey undertaken by Amrop International, the headhunting firm, the most widely cited reason for the failure of an international posting was an individual's inability to adjust to a foreign culture.

Yet another survey, by Price Waterhouse, found that pre-assignment cultural briefings were routinely provided for expatriates in only 10 per cent of companies. But are briefings a good idea anyway for people who are not going to adapt?

Some people apply for a foreign job convinced, often quite rightly, that it is an essential or desirable step on their career ladder. They might think the move is expected of them or they might just like the sound of the place. Sometimes they find when they arrive that the job, the country and their environment is not what they expected. Their partners might dislike the place, their children might not settle, and very quickly they want to leave.

Some companies are now instigating programmes designed to detect the likelihood of assignment rejection before the posting is designated. Employment Conditions Abroad (ECA), a human resource

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	quartile	salary	quartile	salary	bonus	Car or allowance	£ year
	£	£	£	£	%	% with	£ value
Corporate Finance Head	105,000	112,250	150,000	125,208	50.7	100	23,589
Capital Markets Head	128,500	145,000	153,000	141,720	38.1	100	31,000
Bond Sales Head	90,000	99,750	120,000	104,083	47.8	100	18,618
Fund M'tment Director	116,150	135,389	151,300	134,612	51.3	100	28,825
Futures & Options Head	79,755	100,000	107,500	94,502	118.0	100	19,918
Eurobond Trading Head	107,500	130,000	147,500	130,430	30.9	88	25,373
Equity Trading Head	86,000	100,000	143,750	112,100	84.2	80	19,250
Private Banking Head	91,250	97,735	110,000	96,229	32.4	83	17,209
Head of Research	70,833	115,000	135,000	105,333	48.3	86	20,000
Financial Director	69,200	81,530	92,000	85,365	31.8	100	24,312
Chief FX Dealer	70,000	82,250	115,000	93,172	25.9	94	19,683
Legal Services Head	59,334	70,000	80,000	72,684	20.9	94	19,827
Personnel Director	60,000	75,250	85,800	76,662	26.5	100	22,633
Money Market Head	57,500	68,137	78,000	68,900	25.4	100	18,474
D-P Director	55,000	68,000	74,000	66,927	20.2	100	20,198
Credit Manager	37,838	43,490	48,250	42,945	9.4	72	17,202
Customer Services Head	28,000	29,813	37,800	32,384	7.9	41	13,500

Source: Merit Partnership, The Hill House, Westons Annis, Essex, CB11 4JL. Tel: 01799 542222. Fax: 01799 541 805

and information consultancy, has been piloting a systems-based questionnaire in Cable & Wireless designed to help prospective expatriates and their families weigh up the pros and cons of a move abroad.

The idea is to provide some forum for early introspection, allowing prospective candidates to examine their motives for seeking the move.

Cable & Wireless, which employs about 60,000 people worldwide, handles about 400 to 450 expatriate moves each year. Kathryn Parker, manager for international resource

ing and development, said the company found that staff would often apply for a post without too much thought about the impact on their families.

The ECA questionnaire, which covers health, lifestyle, values, career and personal issues, was customised by Cable & Wireless to meet its specific needs. The idea is that the software provides a forum, particularly among partners and families, for discussion about such things as the impact on the partners' ability to work.

• The package is available from ECA, tel 0171 861 5000, price £400.

• The table above includes a newly added position, that of the Futures and Options head, an area of increasing interest, according to Joe Clark, of Day Associates, who compiled the information.

Salary increases among banks, he says, are running ahead of predictions, at 4.8 per cent. The full survey costs £270.

Richard Donkin

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Our client is a global banking group with an established investment banking operation which has an extensive and impressive client base worldwide. Their full range of products and services includes corporate and project finance, securities, sales and trading, asset management and advisory. They are uniquely positioned to offer specialist solutions to meet the strategic, investment or risk management needs of clients around the world.

As part of their overall strategy, the Central and Eastern European team is expanding and now seeks a Czech and a Hungarian specialist to further enhance contacts and relationships at the most senior level in the government and corporate domain. Individuals will be expected to utilise their knowledge of major organisations and the local economic and cultural environment and demonstrate their ability to persuade and influence key decision makers. These front line roles will involve extensive travel, initial client contact and the origination, development and execution of quality business in all areas of the bank's activities.

Speaking the native language with excellent written and spoken English, the ideal candidates will have a background in corporate or project finance. It is critical that individuals have the character, confidence and credibility to connect with and sell ideas across the firm. These are challenging roles for individuals eager to develop their career with a quality firm where there is a long term commitment to developing business in these new and existing markets. Excellent remuneration packages are offered reflecting experience and contribution to the business.

If you have an interest in one of these positions, please send your curriculum vitae to **Mr Matthew Hill, Nicholson International** (Search and Selection Consultants), Bracton House, 34-36 High Holborn, London, WC1V 6AS, England, or fax your details on **0044 171 404 8128**. All responses will be considered confidential.


NICHOLSON INTERNATIONAL
UK

Australia Austria Belgium Brazil China Czech Republic Dubai France Germany Holland Hong Kong Hungary India Israel Italy Poland Portugal Romania Russia Spain Turkey

FINANCIAL TIMES

The Financial Times, the world business newspaper, is inviting applications for the position of writer on the Lex column.

Lex, which is one of the most widely read parts of the paper, comments daily on the world's main business and financial stories.

The successful applicant will be part of a team of five journalists. Each member has responsibility for several industrial sectors and one or two countries. However, the team is closely integrated and team members also cover for each other.

The job is challenging and rewarding. It requires great versatility and an ability to cut through to the heart of issues rapidly. Lex notes, which are typically only 250 words long, must be tightly written, stimulating and accessible to the broad range of FT readers.

Applicants should ideally, but not necessarily, be journalists with a strong background in business and/or financial reporting. Strong analytical skills and the ability to work to exceptionally demanding standards under pressure are essential. Languages and international experience would be added advantages.

Applications, including a cv and a letter stating in 250 words why you think you would be suitable for this post, should be sent to:

Robin Pauley
Managing Editor
Financial Times
One Southwark Bridge
London SE1 9HL UK

Closing date: June 21st 1996

The Financial Times is committed to being an equal opportunities employer.

MANAGING DIRECTOR

Investment Management Company

West End investment company, managing its own funds requires a Managing Director who will report to the Board of Directors.

The ideal candidate must have many years experience analysing credits for a major financial institution or rating agency. Product knowledge of derivatives, fixed income and foreign exchange would be useful. The candidate must have excellent communication skills as well as being able to work as part of a small team.

Qualifications:
Previous direct responsibility in a fixed income asset management company or bank treasury.
Experience with risk and credit measurement.
Compliance.
Financial management information.
University graduate probably aged over 50 years.

Applicants should send a detailed CV to The Board,
Box A5863, Financial Times,
One Southwark Bridge, London SE19HL

EUROMONEY Conferences

Euromoney Publications PLC is seeking to recruit a Senior Sales Executive to work in its highly successful Conference Division.

The successful candidate must be capable of researching, developing and managing conferences in a highly competitive sector, as well as selling effectively to senior executives in financial institutions.

Knowledge of the financial markets and previous sales experience would be advantageous. A foreign language would be useful. The candidate should be able to demonstrate both individual motivation and ability to operate within a team. All candidates should be of graduate level and aged between 25-35.

An attractive remuneration package will be offered to the successful candidate with the appropriate experience. The job will entail considerable overseas travel.

Please apply in writing to: Edoardo Bounous, Director of Conferences, Euromoney Publications, Nestor House, Playhouse Yard, London EC4V 5EX

Financial Training

Do you have knowledge and experience of FX, capital markets, or treasury products? Can you communicate effectively, both verbally and in writing? Are you highly motivated, a self starter, but good at working in a small team? Are you numerate, and familiar with using spreadsheets and presentation graphics? Are you able and willing to travel frequently?

We are an international training company delivering top-quality seminars to the world's leading banks. If you have the qualities listed above, and are interested in joining our London-based team, we would like to hear from you.

Apply, in strictest confidence, with full details of your experience and your future goals to

Box A5870, Financial Times, One Southwark Bridge, London SE1 9HL

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Recruitment and Search Consultants

Southpac Investment Management Limited

SENIOR EQUITY ANALYST

H.O. Wellington, New Zealand

SOUTHPAC INVESTMENT MANAGEMENT LIMITED is one of New Zealand's leading financial institutions. Their culture is client driven and people centred. They value quality highly in all that they do. Rarely does an opportunity with such scope become available for a very experienced and successful SENIOR EQUITY RESEARCH ANALYST.

Primary Responsibilities include:

- Fundamental research into New Zealand and Australian listed companies to determine prospective shareholder performance.
- Analysis of domestic and global economic trends impacting on New Zealand and Australian listed corporates.
- Monitoring research tasks and ideas worked on by other analysts.

Candidates will be bright, analytical, lateral and innovative thinkers. Possessing a tertiary qualification in finance, accounting or equivalent, they must also have highly developed financial modelling skills.

You will need strong communication and interpersonal skills and will have worked previously in the equities field. You will have the credibility and knowledge to influence large scale business decisions.

Career prospects within this top performing organisation are excellent. The salary package is designed to attract the very top professional Equity Research Analysts. For strictly confidential enquiries, please telephone Joseph or Evelyn Cooney on 64 4 472-3455 (COLLECT ANYTIME) or fax your details to 64 4 472-3448 or send your CV to PO Box 841, Wellington, New Zealand.

Level 10, Fujitsu House, 126 The Terrace, Wellington, Fax 472-3448

SENIOR COMMODITIES CREDIT ANALYST

A global commodities trading group requires, in London, a Senior Credit Analyst to assess and manage their global (particularly South East Asia) counterparty risk.

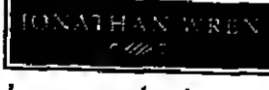
Reporting to the Finance Director, the role will include the analysis and control of global credit risk arising from the group's metals derivatives, FX and physical trading activities. This will involve all aspects of researching and preparing credit applications, advising on relevant policies and procedures and developing systems for managing counterparty risk.

The candidate will have a formal credit training and probably be a qualified accountant or banker. Experience in derivatives is essential and exposure to South East Asia and commodities highly advantageous. Excellent communication and analytical skills are required for this demanding role.

Working closely with dealers and senior management you will play an important role in developing the group's global risk management capability.

Please send CVs with covering letter to Roger Manning.

Jonathan Wren & Co Ltd, Financial Recruitment Consultants, No 1 New Street, London EC2M 4TP



JONATHAN WREN
b a n k i n g

Telephone 0171 623 1266
Facsimile 0171 626 5237
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BANKING WITH LANGUAGES

ASSISTANT FUND MANAGER - FLUENT JAPANESE
JNEG - REG F&G

Leading Japanese Bank currently have an opening for a Japanese speaking Assistant International Settlements or Finance Administration specialist with strong Japanese PC skills. You will prepare all statements/procedures, process client requests, analyse performance figures and generally gain a good understanding of Fund Management.

RISK ANALYST - FLUENT AFRIKAANS
JNRG - REG F&G

Our client, a leading international bank, is seeking to recruit a Risk Analyst with at least 1 year's international experience in a bank's risk management or the South African market. Candidates should hold a programme qualification in Risk Management, be highly numerate with strong analytical and communication skills.

EURO-LONDON APPOINTMENTS
Head Office: 100 Broad Street, London E.C.4
Tel: 0171 583 0166 Fax: 0171 583 2890

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- ◆ Clear investment philosophy dedicated to achieving superior absolute returns.

THE POSITIONS

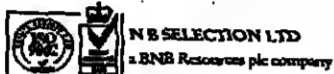
- ◆ Full involvement in finding and analysing potential investments, making recommendations and monitoring current holdings.
- ◆ Focus upon investments in (1) Emerging Markets or (2) Continental Europe or other mature markets such as the US and Japan.

- ◆ Increased responsibility for portfolio management with experience. Work with small, highly incentivised team.

QUALIFICATIONS

- ◆ Bright graduate, preferably MBA or comparable European qualification. 3 to 5 years' experience with "buy-side" firm as financial analyst or assistant fund manager.
- ◆ Must be able to demonstrate successful track record of investment ideas.
- ◆ Dynamic self-starter. First-class analytical and communication skills. Team player. Language ability advantageous.

Please send full cv, stating salary, ref F560601 (Role 1) or Ref F560602 (Role 2), to NBS, 10 Arthur Street, London EC4R 9AY



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Rare challenge for ambitious professional to facilitate new capital investment in renowned City institution at forefront of momentous change. Broad involvement in corporate capital raising and execution during exciting period of growth. Excellent prospects.

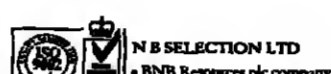
THE POSITION

- ◆ High-profile role, dealing with world-wide investors. Full assessment of capital-raising proposals, from initial presentation of investment opportunity to contractual documentation.
- ◆ Analyse and assess complex funding schemes.
- ◆ Assist with the development of future fund-raising strategies.

QUALIFICATIONS

- ◆ Lawyer, accountant (5 years' PQE) or investment banker. Corporate finance experience essential.
- ◆ Excellent communication and presentation skills.
- ◆ Strong analytical skills and attention to detail. Ability to understand and work within intricate market structure and regulatory requirements.
- ◆ High energy, drive and commitment.

Please send full cv, stating salary, ref LG60605FW to NBS, 54 Jermyn Street, London SW1Y 6LX



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- ◆ Provide leadership to the HR function ensuring a pro-active delivery of high quality service, advice and support to the Bank's senior management.

- ◆ Graduate calibre, professionally qualified with at least ten years relevant HR experience gained in a leading financial services organisation in both the UK and overseas. Track record of restructuring and change management essential.

- ◆ Well developed influencing and interpersonal skills with the ability to operate in a fast-paced and performance-led environment. Internationally orientated and mobile with strong management skills, resilience, and strategic as well as technical abilities.

Please apply in writing quoting reference 1156 with full career and salary details to:
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STRUCTURED FINANCE ANALYST

PACKAGE HIGHLY COMPETITIVE INCLUDING TOP BONUS

Our client a major U.S. Investment Bank seeks a top quality structured finance specialist to analyse and monitor credit exposures in a range of structured transactions particularly asset-backed commercial paper programmes.

As the structured finance specialist you will be responsible for the analysis of asset-backed and medium term note programmes in Europe. This is a high profile position and involves meeting with clients, execution and documentation of programmes, interfacing with outside counsel and the relevant origination team plus other areas of the firm. You will also be responsible for the ongoing monitoring and credit exposure-management for a range of European counterparties. Working closely with the investment banking/project finance divisions you will advise on a wide range of credit matters.

Graduate candidates must have a minimum of 3 years experience of structured finance gained at a major investment/wholesale commercial bank or a rating agency/law firm. European languages beneficial but not essential.

Please send your CV, with covering letter, for the attention of Ron Bradley, Director

Jonathan Wren & Co. Limited
Financial Recruitment Consultants
No 1 New Street, London EC2M 4TP



Telephone: 0171-623-1266
Facsimile: 0171-626-5257
CompuServe: 100446,1511

F30206

b a n k i n g

LESOTHO HIGHLANDS DEVELOPMENT AUTHORITY

CO-ORDINATOR, CONTRACTS ACCOUNTING AND CONTROL

Set in the heart of the beautiful Mountain Kingdom of Lesotho, a high-tech multi-billion dollar water project providing hydropower for Lesotho and water for the Republic of South Africa is underway. A joint venture by the Lesotho and South African Governments, the project is controlled in Lesotho through the Lesotho Highlands Development Authority (LHDA). The project is funded from many international sources and involves complex multi currency contracts on a large scale.

LHDA is seeking a highly qualified specialist on a two-year contractual basis to assist in protecting its financial interests in the contract development and negotiation stages as well as monitoring and controlling contracts in the post-award period including ensuring proper recording, reconciliation and reporting of contract transactions and the maintenance of effective contract computer systems.

The position, based in Maseru, calls for a commitment to work with and develop local staff for succession, a commitment to develop rapidly a knowledge of local taxation, and wide experience of contract administration and accounting, preferably in a multi-currency environment.

The preferred candidate will be a CA, CMA or equivalent, will be a dynamic team leader with an enlightened approach to staff training and development, and will lead by example through possessing the necessary communication, accounting and computer skills to support his or her specialist knowledge.

The excellent expatriate package includes housing, car and education allowances, relocation expenses and air fares.

Application incorporating a comprehensive CV should be sent in confidence to the Chief Executive, LHDA, PO Box 7332, Maseru 100, Lesotho by 5 July 1996.

(FAX 266 3100600)

Senior Banker

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City

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Our client is a long established, full service commercial bank with a far-reaching international network covering all the major financial centres. The bank enjoys a strong position in both the developed and emerging markets. As a result of internal promotion, a senior banker is now sought at Assistant General Manager level to lead client management and business development within a number of geographic markets.

financing mandates as lead and sole arranger.

Of graduate calibre and aged at least early 30s, candidates are likely to have received a US commercial bank training or equivalent. Sound knowledge of a broad range of banking products, in particular syndications, will be combined with extensive international marketing experience. Candidates will be highly motivated, independent self-starters with well developed interpersonal and client relationship skills. They must be prepared to undertake regular travel.

Responsibilities will include:

- managing the bank's coverage of South Africa and selected emerging markets;
- working closely with product officers across the bank to build a wider portfolio of new business;
- winning, pricing and structuring debt



Please send a full CV in confidence to GKRS at the address below, quoting reference number 533J on both letter and envelope, and including details of current remuneration.

SEARCH & SELECTION

CLAREBELL HOUSE, 6 CORK STREET, LONDON W1X 1PB. TEL: 0171 287 2820
A GKR Group Company

INTERNATIONAL COMMODITIES TRADING

Head of Operations

Gibraltar

£ US\$200,000 base + Negot. Bonus

Commodities trading division of a dynamic international group with significant banking and investment operations. Principal traded products are crude oil, oil derivatives, sugar, tea & grain.

- Reporting directly to the group's board of directors, with the brief to increase its presence on the international commodities markets.
- Overall responsibility for the development and management of all trading departments.
- As a key member of the group's management team you will play a lead role in determining the future strategic direction of the company.

- Candidates will have at least 10 years experience gained with a major commodities group.
- Proven track record in instigating and coordinating trading activities across a range of geographical and physical markets.
- With outstanding organisational and man management skills, you will be a known achiever both in your present company and in the international marketplace.

Please send full CV to Gary Bonmister, Hudson Chase Europe, 91 Charlotte St, London, UK, W1P 1LR.
Tel: 44 171 255 1313. - Fax: 44 171 255 1316. - E-mail: HudChase@msn.com

HUDSON CHASE EUROPE
INTERNATIONAL EXECUTIVE SEARCH

Business Analyst

Uxbridge

Our client is the European subsidiary of a multi-billion turnover US multinational based in West London. It is sales driven, highly competitive and a leader in its field of technology. The company is committed to further growth in Europe and therefore requires a first class Business Analyst to ensure that appropriate financial and business analysis is available to senior management.

Reporting to the European VP of Operations, the successful candidate will have two to five years work experience in risk analysis, financial modelling, design and implementation of new systems.

Candidates will have an excellent academic record with a good degree in Economics and

Competitive Package

ideally have had some involvement in logistics, distribution, or worked in a costing environment. Fluency in at least one or more European language would be an advantage. This is an ideal opportunity for candidates with a proven proactive approach combined with drive, to succeed in a fast changing organisation.

Please send your curriculum vitae with an explanation of how you meet these requirements quoting your current salary and reference SK735 to Suzanna Karoly, Ernst & Young Management Resourcing, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 3NH.



PEREIRE TOD FRENCH EQUITY SALES

LIMITED

London

Pereire Tod Limited is the United Kingdom based securities business of the Mirabaud group. The Mirabaud group is headed by Mirabaud et Cie, a private Geneva based bank established in 1819.

The company is looking to expand its highly successful French equity sales team by engaging people with substantial experience in institutional equity sales. The successful candidates will be self motivating with an established institutional clientele coupled with a proven track record. Fluency in French is a pre-requisite.

The remuneration package is completely performance related and highly competitive for the right candidates.

To apply, please write with your full C.V. to:

Marc Perelre, Pereire Tod Limited, 29 Curzon Street, London W1Y 8LH.

All applications will be treated in the strictest confidence.

Pereire Tod Limited is a Member of the London Stock Exchange and regulated by the Securities and Future Authority.

Credit Officer

Major European Bank

City

Attractive Salary + Banking Benefits

This highly regarded, profitable European bank has an excellent reputation for stability, strength and quality of service. It has an expanding overseas branch network, including a well established office in London, which continues to develop actively in both corporate and treasury markets.

The role of Credit Officer provides both variety and challenge, as the bank offers a diverse, blue-chip client base the full range of corporate banking and treasury products, including structured and project finance. Reporting to the Head of Credit, the appointed candidate will work independently as part of an experienced team which adds value to the lending process by the high quality of its credit appraisal and documentation - enabling the bank to maximise earnings whilst avoiding unacceptable risk. The bank's Credit Officers are responsible in partnership with the Corporate Banking and Treasury teams for

achieving these goals. For the Credit Officers, this also entails working with Head Office specialist departments and external professionals.

Probably aged mid 20s to mid 30s, candidates should ideally have formal credit training and at least three years' relevant credit analysis experience, including exposure to structured and project finance. We would also be interested in hearing from lawyers or accountants with relevant financial services experience. Strong communication and negotiation skills are key. A structured, logical approach and a strong team orientation - complemented by initiative, enthusiasm and personal presence - will be necessary.

Please send a full CV in confidence to GKRS at the address below, quoting reference number 5351 on both letter and envelope, and including details of current remuneration.



SEARCH & SELECTION
CLAREBELL HOUSE, 6 CORK STREET, LONDON W1X 1PB. TEL: 0171 287 2820
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Sun Life Investment Manager is changing to meet the changes in the investment world. Our expansion programme is coupled with a progressive review of everything from risk analysis to personal career development plans. As part of this expansion we need to recruit an Investment Manager, Japan Desk.

Working for the Japanese team who manage funds of around \$600 million, you will contribute directly to superior fund performance by generating accurate research and recommendations. With a true understanding of your assigned sectors, and a keen instinct for maintaining company and top stock broking contacts, you're a vital contributor to the Japanese team.

Educated to Degree level, and ideally BMR qualified, you have 3-5 years investment

management experience or a financial background gained in industry or commerce. With proven research and analytical skills, you have a positive influence on key decisions. Innovative, team orientated, and a natural communicator, you can synthesise complex information and create concise reports. A sound working knowledge of information systems and PC applications will also be needed.

With Sun Life, salary, bonus and benefits are extremely competitive - we know how to attract and keep the very best people. So if you're looking for a chance to prove your performance, long term please send detailed CV including current salary to Harriet Cadling, Personnel Officer, Sun Life Investment Management Ltd, 107 Chesapeake, London EC2V 6DU.



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Bank of Ireland Securities Services is the largest provider of investment and custodial services in Dublin. Our clients are leading international financial institutions located worldwide. From our IFSC base we service client assets currently totalling in excess of US\$33 billion.

Our success to date is built on combining state-of-the-art technology with top-class people. Our business approach is dynamic, requiring energetic, innovative and flexible people who are service-driven and ambitious.

If you have a minimum of 2 years experience in the following areas of global custody/mutual funds administration:

- Dividends
- Corporate Actions
- Settlements
- Valuations
- Shareholder Servicing
- Fund Accounting

and would like to develop your career in a stimulating and rewarding environment, we would like to hear from you.

Please send your detailed curriculum vitae to:

Rita E. Smyth, Personnel Manager, Bank of Ireland Securities Services, International Financial Services Centre, 1 Harbourmaster Place, Dublin 1, Ireland.

B-Mail: Rita.Smyth@boi.ie
Telephone: 353 1 670 0300
Fax: 353 1 670 1380

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SBC Warburg is an integrated global player; a world leader in investment banking. We are looking for catalysts for change and deliverers of client focused solutions who will make a critical contribution to our continued success.

Our Global Client Service Group - in conjunction with the Sales, Marketing and Relationship Management teams - is actively promoting the product, operational and technological capability of the bank. The Group is not only winning new business and developing existing customer relationships, but is driving forward improvement of service delivery

(people, systems and processes) and is involved in the research and implementation of new products.

This is your opportunity to join a global team of professionals responsible for identifying and addressing client needs as well as the services currently provided. Your brief will also extend to maximising efficiency whilst ensuring that clients receive a focused, integrated and seamless service across products and geographical locations.

To qualify, you will be a graduate of exceptional calibre who understands advanced concepts of client service and has a fierce commitment to results and delivery. Probably working either in a management consultancy or a sophisticated financial institution, you must

be able to demonstrate outstanding personal qualities - communication skills, credibility, intelligence and influence - and the ability to develop client business. As someone with an international outlook and a willingness to travel and work overseas, you will be seeking a fast moving environment, close proximity both to clients and the business, a steep learning curve and, above all, a truly global challenge.

Please write to Joe Thomas or Suzzie Mummie, quoting reference 389, and enclosing a full Curriculum Vitae that includes contact telephone numbers, at BBA Selection, 76 Walling Street, London EC4M 9BJ. Tel: 0171-248 3653. Fax: 0171-248 2814. All applications will be treated in the strictest confidence.

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High level privatisation

Excellent expatriate package

Extensive restructuring of the Indonesian electricity power sector is aggressively underway to promote efficiency and private participation. In line with this effort, Indonesia's largest utility company is restructuring and is involved in the privatisation of several of its business activities.

As Advisor to the President Director, this strategic role is key to the successful restructuring process of the organisation. With a high level of responsibility you will review and improve the overall financial planning capabilities; advise on all the restructuring plans, forms and sequence of resource; manage mobilisation through private participation and co-ordinate third party restructuring activities.

High calibre candidates will possess the following capabilities:

- Successful track record in merchant or investment banking particularly for privatisation within the utilities industry

Indonesia based

- Significant financial advisory experience in funding, public offering, use of equity and debt instruments
 - Preferably conversant with the International - London, New York and Japan - capital and money markets
 - Ideally with some experience in South East Asia
 - Strong track record in project management
 - Highly developed organisational and interpersonal skills
- Appointment will be offered on contractual terms for initially 2 years, with opportunities for further extension. This high profile role offers an attractive expatriate package which will be commensurate with qualifications and experience.

Interested applicants should forward comprehensive resumes within 2 weeks, quoting MCS1634, to Mr. Kemal A. Stamboel, PT Price Waterhouse Indonesia Konsultan, PO Box 2169 JKP 10001, Indonesia. Tel: 62-21-521 2941. Fax: 62-21-521 2930. Email: kemal_stamboel@australia.notes.pw.com

DERIVATIVE PRODUCTS PROFESSIONALS LEADING BANK, SAUDI ARABIA

A leading Bank based in Saudi Arabia requires the following professionals:

SECTION HEAD (Capital Markets and Derivatives Processing)

Responsibilities shall include monitoring the daily operations related to capital markets and related derivative products, controlling the deal tickets, supervising the processing of tickets, limits follow-up-reporting, agreements and confirmations, accounting payments and securities settlements, updating of management information database, monitoring the funding of the various positions, controlling execution of settlements by Bank's correspondents and custodians, carrying out regular revaluation of the various positions and account for the corresponding results. This position also involves organizational issues pertaining to fixed income and treasury derivative products viz. definition of operational procedures, implementation of automated systems, monitoring custodian/brokers accounts, direct supervision of subordinates etc.

Applicants must have at least three years experience in capital markets/derivative products, back office accounting, exposure to PC and office automation systems, ability to interact with dealers and executives as well as subordinates. Applicants should be University Graduates in Business Administration/Chartered Accountancy or equivalent qualifications and possess excellent oral and written communication skills.

Please apply immediately to:
Post Box No. A3861, Financial Times, One Southwark Bridge, London, SE1 9YH.

THE CENTRAL BANK OF THE REPUBLIC OF TURKEY SEEKS FOR CONSULTANTS TO BE EMPLOYED AT THE HEAD OFFICE ON A CONTRACTUAL BASIS

1. REQUIRED QUALIFICATIONS

- 1) University Degree of at least 4 years in economics, business administration, finance or banking, (Proficiency MA or Ph.D. degree obtained abroad),
- 2) Excellent command of English, French or German, (An additional language will be an asset)
- 3) Not to be older than 35 years of age (For the male applicants completion of military service is preferred) by the date of application.
- 4) Turkish Nationality,
- 5) To meet other qualifications stipulated in Article 2 of the Personnel Regulations of the Central Bank of the Republic of Turkey,

2. APPLICATION

Interested applicants are kindly requested to apply to the address below not later than June 28, 1996, with a comprehensive CV with the following documents enclosed:

- Diploma, (M.A. or Ph.D. Certificate),
- Identification Card,
- Two passport size, colored recent photographs,
- Certificate of Proficiency in a foreign language.

Following the evaluation of applications, eligible candidates will be informed of the place and date of the written test and the interview.

ADDRESS:
The Central Bank of the Republic of Turkey
Head Office, Personnel Department
Islahal Caddesi No:10
06100 Ulus-ANKARA TURKEY
Tel: 90-312-311 87 35
90-312-310 93 39
Fax: 90-312-311 17 25

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 Two exceptional opportunities have arisen to join THE STS, the financial services arm (with over £100m under management) of leading southern law firm, THOMAS EGGAR VERRALL BOWLES.

THE STS is at the vanguard nationally of this most dynamic area of Solicitor Investment Management. Prospects both individually and as a team are excellent.

SENIOR INVESTMENT MANAGER
 The role calls for someone with an open, positive style who can contribute within a well-established team to the continuous development of private client investment management.

The ideal candidate will be suitably qualified with a minimum of four years' investment management experience, and will have strong inter-personal skills as the ability to work under pressure.

TRAINEE INVESTMENT MANAGER
 Numerate, self-starting young graduate needed to assist the Investment Managers, primarily with research, dealing and statistical work but will be supported in obtaining all qualifications with a view to becoming a full manager.

Interested parties should apply for a job description and application form from: Anthony Wanda, Managing Director, THE STS, Regnum House, 45 South Street, Chichester, West Sussex PO19 1DS.

Financial Services Recruitment Consultancy
Managing Director (Designate)
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The Salisbury Consulting Group is a multi-million turnover Recruitment and Management Consultancy which specialises in the business sector.

We are embarking on a new company to specialise in senior level recruitment within the Banking and Financial Services related sectors. This will cover all activities within these sectors including the advisory, product creation, sales/marketing and commercial services.

Our success has been built on the in-depth industry knowledge of our Consultants. Consequently, a key requirement is that applicants must have extensive financial services industry experience, ideally with a recruitment consultancy background. We offer a high basic salary, bonus linked results, quality benefits and the opportunity to grow your own business and gain significantly from its success.

You must be able to operate at the most senior levels with clients, forming sound relationships with key people, and handling their needs intelligently, with tact and skill. Ambition, determination and enthusiasm are vital for you to create and drive the business to success. We have positive plans for developing our Group. If you want to be part of them, send or fax your CV to Toby Tunstall, Director, in the enclosed confidential envelope to Salisbury Consulting Group, Salisbury House, 15-17 The Broadway, Old Hatfield, Herts AL9 5EE. Tel: 01763 264811 or Fax: 01799 275492.

A Salisbury Consulting Group Company

KPMG Executive Appointments South Africa has been retained by its client, THE NATIONAL BANK OF MALAWI, to urgently recruit as:

Chief Executive Officer

Blantyre, Malawi

The requirements of the job are varied but the core roles of the Chief Executive Officer are to implement the strategic direction of this commercial bank, control its day to day operations and development and oversee the organisation's management structure and culture.

Candidates for this position should be outgoing personalities currently holding a senior executive position, preferably in banking, and in possession of appropriate qualifications. Excellent communication skills, high stress tolerance, team-management skills, strategic thinking and relationship building abilities are qualifying factors.

The commencement date for this position is 1 September 1996. Preliminary interviews will be held in the U.K. and subsequent ones in Malawi.

The remuneration package is highly negotiable with attractive ex-patriate benefits including a 25% gratuity.

Interested persons should please telephone Blanchè Jackson on 27-11-332-7111 or send a comprehensive CV to her via fax 27-11-332-7140.

All applications will be handled in the strictest confidence.

Closing Date: 19 June 1996.

MANAGING DIRECTOR
 STATE OF MISSISSIPPI USA EUROPEAN OFFICE
 DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT (MDECD)

MDECD seeks to establish a state government contractual office in London to attract foreign investment to Mississippi and provide export promotion and assistance to Mississippi private-sector firms. Geographic scope of the office will include major European markets.

Requirements for the position of Managing Director include a master's degree from an accredited college or university in business administration, economics, marketing or related field with five years of experience in work related to the above described duties, professional stature and excellent interpersonal and communication skills, and proficiency in verbal and written English and German. Familiarity with U.S. business practices is advantageous. Position requires frequent travel. Compensation will be competitive and commensurate with qualifications and experience.

Deadline to submit resumes is June 30, 1996, and should be forwarded to:

MDECD Personnel Office
 P.O. Box 849 • Jackson, Mississippi 39205 USA
 Facsimile: (601) 359-2832 • Attn: Ms. Thompson

EXECUTIVE INTERVIEWING
Part-Time

Independent contractors needed in London to set appointments and conduct in-person and phone interviews with financial executives at corporate institutions, pension funds and banks.

Strong financial background needed. Ideal candidates may be retired or self-employed in the financial services area. Excellent communication skills, prior interviewing experience and the ability to work independently are desirable.

Send or fax resume to:
 Linda Triplett, Greenwich Associates, P.O. Box 2615, Greenwich, CT 06830, U.S.A. Fax 203-625-5128.

Appointments Advertising

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday

For further information please call:

Andrew Skarzynski on +44 0171 873 4054
 Toby Finden-Crofts on +44 0171 873 3456

Senior Economist
Excellent Package

American Express Bank Ltd. wishes to recruit an experienced Economist to join its global team based in London. The team, led by the Chief Economist and Strategist, formulates the Bank's views on world markets, provides country risk advice to senior management and writes the Bank's economics/investment publication.

Candidates must have strong academic qualifications in economics plus at least 5 years' experience, preferably in a financial institution. Experience of emerging economies is essential and knowledge of Asian markets would be a particular advantage. Strong writing and verbal skills are essential and the position will involve extensive travel.

Applications should be sent to Mrs. A. Fitz-Earle, American Express Bank Ltd., 60 Buckingham Palace Road, London, SW1W 0RR. Closing date for applications 28th June, 1996. No agencies please.

ALDERWICK CONSULTING

ACCOUNTANCY APPOINTMENTS

ALDERWICK CONSULTING

CORPORATE RISK REVIEW
Major Retail Group
London/Midlands to £40,000 + car + bonus

One of the country's largest retail and home shopping groups with a turnover of more than £2 billion, operating in a fast-moving sector of the highly competitive retail market, our client is on track for improved profitability having recently re-focused on its core businesses. With a creative, innovative approach to problem solving and risk management, the group is seeking to double the size of its Operational Review team.

These truly operational roles, distinct from but working with the group's financial internal auditors, look at the whole spectrum of retail issues: new store openings, buying and merchandising, distribution, stock control and the exciting area of multimedia driven home shopping. With a direct report to the main board, the team has an exceptionally high profile within the Group, playing a central part in identifying and evaluating the management of risk involved in re-engineering key processes. The company is driving towards implementation of group-wide shared services and you will also play a major role in this process.

Candidates must have the confidence and communication skills to liaise effectively at all levels within the organisation. Bright and commercial in approach, they are likely to be qualified accountants or MBAs with retail experience, but could also come from a merchandising, purchasing or supply chain background. Numerate and analytical, candidates should be self-motivated, enthusiastic and able to relish the challenges offered in this dynamic environment.

With such wide ranging business exposure, the career prospects within the group are superb, offering opportunities in either finance or general management. The rewards are excellent, with a high basic salary, fully expensed car and a bonus.

Interested applicants should post or fax a full CV quoting ref: 165 to the address/fax number below. For more information call Alderwick Consulting on 0171 242 9191 during office hours or on 0171 278 6475 evenings and weekends.

ALDERWICK CONSULTING
 SEARCH & SELECTION
 95 FETTER LANE, LONDON EC4A 3EP. TELEPHONE: 0171-242-9191 FAX: 0171-242-5560

Group Finance Manager
ASHANTI GOLDFIELDS COMPANY LIMITED GHANA

Ashanti Goldfields is a highly successful international mining house. Following three important acquisitions, operations include four gold mines, two major development projects and exploration activities in ten African countries. The company is listed on the ASX, Harare, London, New York and Toronto stock exchanges. Turnover in 1995 was in excess of US\$300 million and profit before tax over US\$100 million.

The Finance Manager will have a broad range of responsibilities including:

- Reporting to the Chief Financial Officer and working closely with senior operational management, the Group Finance Manager will have a broad range of responsibilities including:
- The consultation of accountants, including management commentary and analysis;
- Guidelines for and consolidation of Group budgets, and reports for the Board;
- Consolidation of financial reports for shareholders and stock market analysis;
- Long-term and short-term financial planning;
- International taxation planning; and
- International taxation planning.

Candidates should have had sound, successful, experience in the financial control area at Group level, and should be qualified accountants, familiar with Stock Exchange reporting including preparation of accounts under International US GAAP. Experience in working in a developing country is desirable but not essential. Age is less important than drive, determination, and commitment to staff development.

Contracts for expatriates are based on 5 year terms, with 10 month tours and 2 months leave, plus an appropriate tax free salary. Applicants from Ghana with international experience will be particularly welcome.

Please write in confidence with full CV and salary details, quoting Ref. V.010, to:

Consultant - Human Resources
 Ashanti Goldfields Company Limited
 Regnum House, Wood Street
 LONDON EC2Y 5BA

Applications which do not meet the above requirements in respect of qualifications and experience will not be acknowledged

Anglian Water

Enegotiable + attractive benefits package

Anglian Water is geographically the largest of the UK water companies, providing water and sewage services to more than 5 million customers in the region. Through our rapidly developing subsidiary Anglian Water International Limited we also operate extensively overseas.

Reporting to the Project Finance Director, you'll work on a range of major projects as a member of bid teams, and will be responsible for the central evaluation of projects. You will also be responsible for co-ordinating all the financial aspects of projects including negotiations with banks and other financial institutions.

We see this as an area of growth and the expectation is that you'll play a significant role in the development of our Project Finance/Evaluation expertise.

You should be a qualified accountant or banker with at least 5 years' relevant experience. Clearly project experience as either a contractor or banker/advisor would be an advantage. Strong interpersonal and communication skills are essential and you must be free for extensive international travel.

PREVIOUS APPLICANTS NEED NOT APPLY.

Please send a full CV and current salary details to Peter Robinson, Manager, International Human Resources, Anglian Water International, Anglian House, Ambury Road, Huntingdon, Cambs PE18 6NZ. Closing date for receipt of applications is 30 June 1996.

Financial Controller
FMCG
£45,000 + Company Benefits **West London**

Outstanding opportunity for commercially astute professional to play key strategic roll in an expanding private family owned company.

THE COMPANY

- Long established and ISO 9002 accredited
- Operating in the soft drinks market
- Brand leader with strong market position
- Increasing turnover and profitability
- Innovative, forward looking and well positioned for future growth

THE POSITION

- Full responsibility for financial management and control
- Reporting to Managing Director
- Planning and implementing IT
- Provide commercial and strategic direction
- Lead and motivate professional team
- Spearhead further systems development and manage cultural change

QUALIFICATIONS

- Bright graduate CA with appropriate credential and a minimum of 3 years sound commercial knowledge
- Experience gained leading small finance function or supporting role in large organisation within manufacturing or service sectors
- Mature, forward-thinking, self-starter with hands-on approach and previous exposure to corporate reorganisation. Strong systems and project management orientation
- Energetic and ambitious team player with excellent communication and inter-personal skills

Please send full CV with hand written covering letter to:-
 Box A5867, Financial Times, One Southwark Bridge, London, SE1 9HL

Appointments Advertising
 appears in the UK edition every Wednesday & Thursday and in the International edition every Friday
 For further information please call: Robert Hunt on +44 0171 4095



COLGATE-PALMOLIVE COMPANY

OPPORTUNITIES FOR HIGH CALIBRE BUSINESS-ORIENTED ACCOUNTANTS AND SYSTEMS PROFESSIONALS BASED NEW YORK

Colgate-Palmolive is an \$8 billion USD global company with operations in more than 75 countries serving consumers in 206 countries and territories worldwide. As Colgate-Palmolive aggressively pursues its strategy of further growth and profitability as a leading global marketer of quality consumer products, the New York based Corporate Audit team needs the expertise of finance and systems professionals who want the opportunity to travel and develop an international career.

We would like to hear from business-oriented professionals who are capable of adding value to the business.

OPERATIONAL AND FINANCIAL AUDITORS

- Operational and Financial subsidiary reviews
- Working with senior financial and operational management to improve business processes and control procedures
- Ad hoc special projects as determined by executive management

Candidates should have 3-6 years audit experience from one of the Big Six and/or International companies (manufacturing environment preferred) and be a qualified accountant (CPA/ACA). 50% international travel.

INFORMATION TECHNOLOGY AUDITORS

- Continuous control and optimization of procedures and information systems
- Business process improvement
- Operational project based assignments and special projects

Candidates should have 3-6 years information technology audit experience from one of the Big Six and/or international companies, be a Certified Information System Auditor or equivalent. Experience with IBM AS400 and client-server technology including Windows NT and UNIX is desirable. Knowledge of SAP R/3 a plus. 50% international travel.

We are looking for individuals who are flexible, imaginative and possess strong analytical and interpersonal skills. Excellent oral and written communication skills are essential. Candidates will be fluent in English. Knowledge of other languages (specifically French, German, Spanish, Chinese) is desirable. These positions prepare high calibre finance and IT professionals for careers in operating roles in international locations.

Colgate-Palmolive offers competitive salaries and comprehensive benefits.

For further information please contact Jon Vonk at Robert Walters Associates, 25 Bedford Street, London WC2E 9HP, Telephone (44) 171 379 3333; evenings and weekends (44) 171 720 1527; Fax (44) 171 915 8714; E-mail: jon.vonk@robertwalters.com

Colgate-Palmolive will be hosting an informal presentation in London, on Monday 1st July, to individuals who would like to find out more about the company. Numbers will be strictly limited. To reserve a place please contact Andrea Miniken at Robert Walters Associates.

ROBERT WALTERS ASSOCIATES



LONDON NEW YORK AMSTERDAM BRUSSELS SYDNEY WELLINGTON

Millets

To £70,000 package + benefits + significant equity opportunity

Northampton

Finance Director

Millets is a sector-leading national retail chain of 165 shops which was acquired earlier this year from Sears by an MBI team comprising well-respected retail figures and supported by 31. This profitable business, with a turnover in excess of £60 million, is now upgrading its facilities and systems to take advantage of its strong market position in the outdoor wear market, which has huge growth potential. The new team now seeks an ambitious retail finance professional to help realise its strategy and float the business in the medium-term.

THE ROLE

- Reporting to the MD, responsible for providing authoritative financial control and management reporting throughout the business, focusing on upgrading people, systems and processes to support faster and more detailed decision making.
- Focusing on improving the timeliness and the quality of MIS and progressively preparing the business for a flotation by building effective relationships with investors and financial intermediaries.
- Working with the board and investors, providing strategic input and contributing to improving all commercial aspects of the business.

THE QUALIFICATIONS

- Graduate calibre Accountant, aged 30+, with management accounting and control experience from a multi-site, growing retail business serviced through central distribution. Highly systems literate with some exposure to treasury and financial reporting.
- Energetic and enthusiastic team player capable of project managing multiple assignments and driven by achieving stretching personal goals.
- Quick-witted and innovative. Able to operate effectively at board level with a real appetite for significant medium-term financial, gain and achievement of plc status.

Leeds 0113 2507774
London 0171 493 1238
Manchester 0161 499 1700

Selector Europe
Spencer Stuart

Please reply with full details to:
Selector Europe, Ref. 041800644,
16 Chancery Place,
London EC2A 4DB



Financial Controller

Thames Valley

£45K+car+bonus

Our client is a wholly owned subsidiary of a leading global supplier of a comprehensive line of value-added products and services that meet the exploration, production, transmission and processing needs of oil and natural gas companies. Revenues for the parent company in 1995 exceeded \$5 billion. The subsidiary has revenues of \$400 million, with strong operating profits generated throughout the world. As a result of business growth, they now wish to recruit a Financial Controller to report to the Vice President of Finance.

You will have overall responsibility for the production of financial information from a network of overseas offices associated with pipeline coatings. Candidates must be of sufficient calibre to take on a strategic role at a higher level in due course. This position will suit an independent and adaptable individual, able to

function well in an entrepreneurial environment where initiative is rewarded.

Candidates, aged 30+, will be degree qualified with at least four years PQE and ideally have oil industry experience, along with experience of managing the accounting function in a multi currency environment. A comprehensive understanding of up to date financial information systems will be required. Strong presentational skills and the ability to discuss key issues with other disciplines are also very important. The above salary is an indication only and is negotiable depending on experience.

Please write with full career details, including salary, quoting reference B0606 to Tony Saw, KPMG Selection & Search, 1-2 Dorset Rise, Blackfriars, London EC4Y 8AE.

KPMG Selection & Search

GROUP TREASURER

£70,000 + BENEFITS

WEST LONDON

Our client is a major quoted PLC with a leading position in its markets, which it is strengthening by means of a focused acquisition strategy.

A Group Treasurer is now sought to lead the group treasury function reporting to the Group Finance Director. Key responsibilities will be to review treasury policies, strategies and operational procedures to ensure they meet the evolving requirements of the business, to develop and manage relations with bankers and financial institutions to achieve efficient funding and cost-effective service, and to establish effective financial structures for business operations. The Group Treasurer leads a small professional treasury team, and will work closely with other executives throughout the group.

To meet these challenges you will be a graduate, with a professional qualification in treasury management, accounting or banking, and you will have extensive experience of corporate

treasury management in a major international organisation. You will have detailed knowledge of treasury policies and operational procedures, wide experience of negotiating and managing borrowing arrangements, and be fully conversant with the corporate finance requirements of an expanding business.

The position requires leadership skills, and the ability to work closely with head office and subsidiary executives to provide effective treasury services to meet objectives and strategies.

This key appointment will command an excellent salary, supplemented by a full benefits package, including eligibility for performance related bonus scheme.

Please write, in confidence, with full career and salary details to Douglas Austin, MSL International Limited, 32 Aybrook Street, London W1M 3JL. Please quote ref. ALC9526.

LONDON 020 7553 0000
BIRMINGHAM 0121 499 9999
BRISTOL 0117 924 1111
GLASGOW 043 201 7700
LEEDS 0113 250 4477
MANCHESTER 0161 499 1700
NOTTINGHAM 01530 410000



Finance Director

Specialised Engineered Products

North West

£40,000 + Car + Bonus

Our client is an autonomously operating subsidiary of a fully-listed, ambitious plc. The company is profitable, viewed as an integral core business within the group and is thus currently experiencing a major capital investment programme aimed at doubling turnover.

Reporting to the Managing Director, the Finance Director has full responsibility for the financial management and control of the company. Key tasks will include:

- adding value to the organisation through financial acumen and commercial awareness;
- ensuring that both systems and procedures can cope with the projected growth in turnover;
- providing an input to the strategic development of the business across all disciplines;
- leading and developing the existing finance team.

Candidates must be qualified accountants and are likely to be aged 30 to 40. The role requires a team player with a 'hands on' management style. A strong technical background and IT literacy, together with a pragmatic approach to problem solving are important requirements. Experience of working in an engineering environment would be useful. Excellent interpersonal skills, energy and the ability to manage change are prerequisites.

This is an exciting opportunity for an ambitious financial manager to progress their career within an expanding company that has the full backing of a dynamic business. Please send a full CV in confidence to GKRS at the address below, quoting reference number 1808 on both letter and envelope, and including details of current remuneration.



SEARCH & SELECTION
1 WATERLOO STREET, BIRMINGHAM B2 5PG. TEL: 0121 633 4844
A GKRS GROUP COMPANY

DIVISIONAL FINANCE DIRECTOR

Thames Valley

- Our client is a recently created European division, approaching \$200m turnover and part of a major worldwide \$multi billion engineering group. The group has a strong track record of acquisitive and profitable growth with strategic plans in place to more than double in size over the next four to five years.
- The division has business units in the UK, Germany, France and Austria, employs over 1000 people and operates in a tough, competitive market place manufacturing capital goods for service sector providers.
- Reporting to the Divisional President, you will have responsibility for all financial matters impacting the division with a particular emphasis on your ability to make commercial and operational contributions to performance improvement.

£65-70,000 + Bonus + Car

- The role will involve significant hands-on involvement with the operating companies requiring a considerable amount of travel in order to perform effectively.
- You will be forceful, determined, resilient and highly committed, with strong persuasive and influencing skills and used to a tough, demanding operating environment.
- You will be a qualified accountant, most likely a graduate, aged 32-38. Opportunities for future career development are outstanding for those who excel.

Please forward your details quoting ref. no. 2219/FT to Wayne Thomas, Wheale Thomas Hodgins plc, Executive Resourcing, 13 Berkeley Square, Clifton, Bristol BS8 1HG or fax your details on 0117 9272315.



WHEALE THOMAS HODGINS - PLC

Management Accountant

Moscow

Our client is an international Consumer Products Company which has enjoyed dramatic growth since its move into Central and Eastern Europe, where it has become a market leader. The company is aiming to expand its business and now wants to recruit a highly motivated Management Accountant to join its finance team.

Your responsibilities will include consolidation of GAAP accounts, producing regular reports for both local and group management, analysing management reports with supporting commentary and explanation of variances. In addition, you will co-ordinate the Russian budget, provide financial analysis for decision making to local management, as well as analysing financial reports from company sales systems.

The role will also include working with Chief Accountants in each region, assisting them with the production of GAAP reports, as

\$ Excellent Package

well as implementing the financial accounting systems in new regions. You will also be responsible for training the local staff and ensuring group financial procedures are adopted.

To be considered, you will be a graduate qualified accountant (preferably in a mathematics based discipline) with proven management accounting experience. In addition, you will be highly computer literate with knowledge of a wide variety of computer systems. You will also possess excellent interpersonal skills and be fluent in English. Russian experience and language are not essential, but would be an advantage.

Interested candidates should forward a comprehensive CV in confidence, quoting reference 291164 to Natasha Krasnoff, at Michael Page Eastern Europe, Page House, 39-41 Parker Street, London WC2B 5LE, England or fax to +44 (0) 171 404 6370.



Michael Page Eastern Europe
International Recruitment Consultants

FINANCIAL & COST MANAGEMENT CONSULTANCY

Delivering change for top multinationals

Leeds

THE COMPANY

* World-wide leader in the provision of Management Consultancy Services (MCS) * Multicultural Pan-European focus on delivering change for top "blue chip" multinational clients * Aim to be "the most trusted partner of senior client management in implementing change across all functions" * Friendly, co-operative high-tech culture that is fiercely professional * High proportion of repeat business * 80% of proposals result in new assignments * Ambitious growth plans * The momentum of the business is attracting high calibre individuals * Concentration on building long term relationships * Strong strategic focus on important industry markets.

Please reply in writing quoting ref: FT961035 to 27 York Place, Leeds LS1 2EY.

THE ROLE

* There is no such thing as a typical assignment * MCS concentrates on achieving results with household name clients * Strong emphasis upon sharing "best practice" across the globe and involves large scale change management and systems integration projects with focus upon implementation * Business Process Re-engineering, Activity Based Management, Activity Based Costing and Systems Integration assignments, designed to further improve the performance and profitability of prestigious companies. * Extensive on-line information support for field consultants via lap top computers * Travel in UK and Europe.

THE QUALIFICATIONS

* High calibre graduate (2:1 or above) with ACMA/ACA qualification * Experience in process development and the re-engineering of activities in a "blue chip" environment preferable, although those with little experience but displaying potential will be considered * Agile mind * Stimulated by being judged on results in a non-hierarchical environment * Benchmarking, process analysis, transaction accounting and shared service experience advantageous * Thought leader and pragmatic pioneer, applying the latest thinking and "best practice" to everything you do.

£30,000 to £50,000, Car, Benefits

HITCHENOR MAHER

Tel: (0113) 247 0170. Fax: (0113) 247 0191. Email: ft961035@hitch-maher.co.uk

EUROPEAN TAX PROFESSIONAL

financial markets experience

An opportunity for an ambitious young professional to take responsibility for the wide ranging tax issues of a fast growing diversified U.S. multinational.

U.S tax experience

The major emphasis will be to work with the rapidly expanding Financial Markets Group. This will offer a real chance for a motivated individual to make a significant contribution to its continued success.

excellent salary & bonus

Based at the European HQ, the incumbent will be required to travel to operating businesses throughout Western, Central and Eastern Europe.

london

Farn Williams Tax Desk specialise in international opportunities for mobile professionals
Email: farn@netbenefit.co.uk (Preferred CV format Word 6.0). Visit our Web Jobs at <http://www.farnwilliams.co.uk>

Reporting to the V.P. Tax Planning based in the U.S. and the European Controller, key responsibilities include:

- Working with the Financial Markets Group on cross border trading opportunities.
- Contributing to U.S. and local strategic tax planning for the European operations.

The ideal candidate will be a highly qualified tax professional with 5-10 years experience of U.S. tax and financial markets. Ref: FW0507

FARN WILLIAMS

Please send CV to Farn Williams, Diamond House, 37-38 Hatton Garden, London EC1N 8FW Tel: (44) 171 404 4089 Fax: (44) 171 404 4083

FINANCIAL OPERATIONS ACCOUNTANTS OIL & GAS

NORTH AFRICA (ROTATIONAL)

This company is a global corporation operating in all aspects of the energy business. It is involved in the exploration, production and marketing of crude oil, natural gas, natural gas liquids and the refining, marketing and transportation of petroleum products. It has a turnover in excess of \$17 billion.

The company is currently embarking on a project which encompasses the joint development and operation of a major oil field in North Africa. A substantial capital investment has been committed to drill additional wells and install facilities designed to enhance recovery of existing oil reserves.

As a direct result, a number of finance professionals are required to support the operation.

Responsibilities will be varied and challenging to include:

- establishing, developing and maintaining internal controls and procedures
- ensuring timely and meaningful production of effective management information
- ad hoc investigations and special assignments

Successful candidates will have a minimum of 5 years international experience of accounting for oil or gas production sharing contracts.

You must be able to work effectively in an unstructured environment with minimal direction and manage and influence change under pressure as a member of a newly established team. Excellent analytical and communication skills are required.

Experience of Oracle financial application software would be

ROBERT WALTERS ASSOCIATES

c.£60,000 PACKAGE

an advantage as would fluency in French, although language courses will be available for the successful candidates.

These positions are available on a rotational basis i.e. 28 days on, 28 days off. In addition to a highly competitive salary a substantial rota premium is payable. Promotional prospects are truly exceptional with opportunities in the UK, USA or at other international operational sites in due course.

If you feel you have the necessary qualities, please write enclosing an up-to-date CV to Jackie Urnston at Robert Walters Associates, 25 Bedford Street, London WC2E 9HF. Tel: 0171 379 3333 Fax: 0171 915 8714. Internet: jackie.urnston@robertwalters.com

ACCOUNTING MANAGER

The United Nations Development Programme (UNDP) is seeking an outstanding accounting manager for its Headquarters office in New York.

UNDP is the United Nations' largest provider of grant funding for development, and the main body for coordinating UN development assistance.

Qualifications:

- An undergraduate degree in Accounting a CPA or CA certificate from an internationally recognized institute of accountancy.
- A minimum of five years of relevant experience with a Big-6 accounting firm, including at least three years at a supervisory level.
- Experience with mainframe and PC-based accounting systems, systems development, user reporting, application and enhancement.
- Full written and verbal fluency in English is essential; a working knowledge of French or Spanish is desirable.

UNDP offers a competitive salary and benefits package, including six weeks paid vacation plus rental subsidy and education grants, where applicable.

Please send your detailed curriculum vitae and salary history to: Chief, Recruitment, UNDP One United Nations Plaza, New York, New York 10017 USA. FAX: (212) 904-6282. Reference: Accounting Manager F (VA/217/96). Applications must be received by 1 July 1996. Equally qualified women candidates will be given preference for this position. Acknowledgement will only be sent to applicants in whom UNDP has further interest.



undp

UNITED NATIONS DEVELOPMENT PROGRAMME



Helicon Financial Controller

Oxford

Attractive Salary + options

Helicon Publishing is one of the foremost independent publishers of reference material in print and electronic form in the UK. We have recently benefited from a substantial equity injection from a group of investors led by Microsoft Corporation.

A high calibre qualified accountant is required to work closely with the Finance Director in all aspects of control. The successful candidate is likely to be a graduate with up to two years' post-qualification experience in a commercial environment.

Experience of the publishing industry would be an advantage; a "stir-leeves" approach to the accounting function of a fast growth SME is a pre-requisite.

Please send your CV with details of current salary to:

Edward Knelson
Helicon Publishing
42 Bythe Bridge Street
Oxford OX1 2EP

No agencies please

